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agriculture and trade

London

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THE RUIN OF THE WORLD'S AGRICULTURE AND TRADE

INTERNATIONAL FICTITIOUS DEALINGS IN
'FUTURES' OF AGRICULTURAL PRODUCE AND SILVER
WITH THEIR EFFECT ON PRICES

BY
DOCTOR G. RÜHLAND

PROFESSOR OF POLITICAL ECONOMY, ZÜRICH UNIVERSITY, AND
SCIENTIFIC AGRICULTURAL ADVISER TO THE BUND DER LANDWIRTHE, BERLIN, GERMANY

WITH A PREFACE
BY
CHARLES W. SMITH

AUTHOR OF 'COMMERCIAL GAMBLING' ETC. ETC.

PUBLISHERS
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PREFACE

I HAVE been requested by the Author of this work to write a short preface to the English Translation. The work itself should require no introduction to those who are earnestly seeking for a solution of the Agricultural problem, because it contains the results of an unprejudiced and highly scientific inquiry by one specially educated and selected for the purpose, who has devoted the greater portion of his professional life to this question, under the instructions of his Government, and of the leading German Agricultural Societies. But as Doctor G. Rühländ's name is by no means as well known in this country as it is throughout the length and breadth of the Continent, a brief account of his career will be of some interest, particularly as it will show the unusual opportunities he has had for studying the universal world's Agricultural depression, together with the causes which in each country have contributed to it.

Doctor Rühländ is at present Professor of Political Economy at the Zurich University, and has been for years resident in Berlin for the express purpose of assisting the Bund der Landwirthe, the most important German Agricultural Society, whose members number over 200,000, in their investigations into this and other questions. He commenced life as a farmer, and for seven years had practical farming experience in Germany and in Austro-Hungary, when he was selected director of a large estate in the latter country. He now turned his attention to the subject of Agricultural depression, a question he has specially studied since 1882, and in 1884 he sat as member and secretary of a commission to investigate this particular subject assembled by the Farmers' Alliance in Bavaria. He subsequently was selected to undergo special studies in Agriculture, Political Economy and Law in Berlin, Munich and Inbrügen, as preparatory to his appointment as scientific assistant in the Foreign Ministry in Bavaria, in which capacity and by order of the Ministry he compiled a History of the Trade of Agricultural commodities including the policy connected with it during the past 100 years.

On the completion of this important work, the Agricultural Minister recommended Doctor Rühländ to Prince Bismarck for special employment, by whom he was directed to proceed successively to Russia, England, Austria, Hungary, Danube, India, Australia, and to North America, in order to inquire officially into the whole question of Agricultural depression. Dr. Rühländ's investigations occupied two and a half years of laborious unremitting

work, during which time he enjoyed unusual opportunities and advantages as an accredited agent, and his reports were considered by his Government as of the greatest value.

When Prince Bismarck retired from official life, Doctor Rühländ was offered and accepted his present appointment of Professor of Political Economy, his scientific services, as already stated, being temporarily lent in Berlin for the express purpose of determining the reason for the then existing Agricultural depression. In this capacity, it became his duty to press forward, for the reasons he himself gives, a crusade against "fictitious" dealings in produce, and when the Imperial Government decided to introduce a Bill to control these gambling innovations, the excitement and opposition it called forth from those interested in their continuance, rendered its prospects at first very uncertain. In Committee the Bill had been originally accepted by the narrow majority of eleven against ten, and was subsequently rejected by exactly the same majority, rendering it very improbable that a majority in the Reichstag in its favour could be secured. But the truth of the facts brought forward could not be gainsaid, nor could capitalists and produce gamblers screen from the public the absolute evil to the Agricultural interests which their gambling operations brought about, without any corresponding benefit whatever as a set-off. Professor Rühländ wrote and circulated the present work in a few weeks, and its effect was magical. Some 14,000 copies were at once in circulation amongst the members of the Reichstag and all the various Agricultural societies, in spite of the issue of a cheap popular edition of 25,000. A strong agitation soon arose amongst German farmers for the absolute suppression of produce gambling, which forced the Parliamentary Committee to take further evidence and in consequence to abandon the proposed Bill for controlling this gambling, and in its place to introduce a measure for its "total prohibition." This Bill passed last month its second reading in the Reichstag by a majority of 200 against 39, and on the 6th of the present month, by a similar overwhelming majority, it was read a third time, and finally adopted by the Imperial Diet. The measure will come into force on January 1, 1897.

Let me draw attention that it was solely and entirely the scientific completeness of the systematically developed arguments of Doctor Rühländ, which could not be denied, that obtained such a recognition of their truth as to carry conviction with them to the extent of this large Parliamentary majority. Not an argument could be produced in favour of a continuance of the gambling. Some few have indeed been attempted, but were so soon proved to be fallacious as to be generally acknowledged to be untenable, and now "fictitious" dealings in produce stand officially condemned on the Continent as being destructive to Agriculture and Commerce, and as compromising the vital interests of the entire country.

I earnestly trust that this work, written entirely from the German point of view, relative to the special form of produce gambling in that and other continental countries, may be studied in this country. The truth of its arguments is not confined to the Continent, although there the gambling is in

European corn, whereas in this country it is in Californian and American corn. They are of widespread application and are specially applicable to Great Britain, for, as the chief importing country of the world, we are doubly hit by these international gambling systems—not only are our farmers being ruined as are those abroad, but the whole industry, so vital to the masses of this country, is now falling under the influence of capitalists who manipulate it for their own advantage, and who paralyse our Agriculture and Commerce, as well as our manufactures, by the uncertainty and constant artificial depression of market prices as well as by the possibility of "corners." Every year the power of the capitalists of the world becomes greater. Restrict these international gambling fictitious future systems to contracts representing *actual* produce only, and at one stroke their pernicious influence is disarmed, and business is once again freed from the incubus which has overshadowed it for the past sixteen years, since these systems were unnecessarily introduced as the basis of importation into this country and for the distribution of the products of the world.

But if, in time of peace, the power for evil to our farmers and to our national industries is shown to be so great, what will it prove to the country at large and to our masses in time of war, dependent as they are from hand to mouth for their food supplies? No navy can guarantee these supplies, if a few international capitalists unite to prohibit their export. "Futures" have only to be extensively bought and delivery strictly demanded, and only a very limited amount of grain would then be available for shipment to our shores, except as such buyers might permit. The most gigantic grain "corner" on record would then be witnessed, culminating in bread riots and starvation in this country, in face of the finest fleet in the world, impotent to save us. The danger is at our doors and may at any moment occur. Who can tell when the sword may fall? Meanwhile our Government, returned to power with an overwhelming majority, principally by agricultural votes, are content to introduce palliative measures, absolutely useless for meeting "depreciation of prices," admitted by all as the one real cause of Agricultural depression. Instead of at once investigating by a special commission, as has been done so extensively on the Continent and in America, this alleged main reason of depression, opposed to all religious and moral laws, and for which not one sound argument can be advanced, our Government is apparently content to watch with apathy the introduction of legislative remedial measures abroad, and split straws as to whether the sale of "fictitious paper futures" of wheat and other produce come under the Agricultural department or under that of the Board of Trade—*vide* the Prime Minister's reply to Lord Stanley of Alderley in the House of Lords, on May 1, 1896. In the earnest hope that some small portion of the Continental success of this work may be realised on public opinion in this country, I cordially comply with Professor Rühländ's request to issue an English translation of his powerful work, as well as to write this short introductory preface.

The foot-notes and appendix I have also added at his request are either explanatory of the context, or are intended to apply the argument to this

country and to our special system of fictitious dealings in "futures" of non-existing Agricultural and other produce, as well as of metals, which are by no means identical with those on the Continent, except as to the universal depressing influence on "Prices" they artificially create.

Let me conclude by expressing my hearty congratulations to the farmers as well as to the politicians of Germany, on having taken the legislative lead amongst nations, not only by passing into law the full measure to prohibit future produce gambling, but also by the resolution adopted in the Reichstag, on Count Kanitz's motion, to open negotiations with the Governments of all countries in which gambling in cereals and other produce is at present tolerated, with the aim of concerting international measures for collective suppressive action. This admirable example set by Germany will, I trust, be recognised in this country as an opportunity to escape from the position of inaction towards British farmers into which our Government have fallen, and I hope the publication of this work will prove that it is not palliative measures that are required, but drastic treatment to eliminate from amongst us, and from the world's Agriculture, Trade and Commerce, this monstrous evil that sacrifices the well-being of the larger and better number of British citizens to the selfish greed of a few thousands of unscrupulous gamblers of mixed nationalities.

CHARLES W. SMITH.

RAVENHURST, CHELTENHAM: *June 1896.*

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THE RUIN

OF THE

WORLD'S AGRICULTURE AND TRADE.

I.

INTRODUCTION.

THE movement for the reform of the Exchanges has now reached an entirely new, significant stage.

The parliamentary inquiry into the stock and produce exchanges which at the beginning of 1892 the Imperial Government then in office instituted, arose directly out of a series of disgraceful bankruptcies of private banks and out of the growing distrust shown towards the exchanges by public opinion. The attitude of the Commission of Inquiry, as shown in its report, was above all directed towards the upholding of the present condition of affairs on the exchanges, to which end, a general understanding was first of all brought about in the Commission "that in the present economy of the nations, the exchanges must be considered indispensable;" and, in opposition to the Exchange Reformers—also called Idealists—who maintained that the State ought at least to remove the worst outgrowths of the business on the exchanges, it was very energetically pointed out, "that for the State to encroach on the business of the exchanges would be at the least superfluous and even harmful." The Commission thereupon sought to "find a middle way" between these two extremes.

According to the official report of November 11, 1893, the majority was of the opinion that it was decidedly preferable that an improvement of the exchanges should arise on the initiative of the exchanges themselves, and that legislative action should be restricted to giving the State the requisite powers to intervene only in the event that, contrary to expectations, the exchanges should not introduce the necessary reforms of their own will. And in his scientific introduction to the Statistical Supplements of the Inquiry Commission, one of its members, Professor Schmoller, says explicitly: "The point of view generally taken was that the duty of the Commission was solely to ascertain the constitution of the exchanges and their abuses, to inquire into the typical events of its business life, the juridical structure and

form, the social and moral consequences of which should be fixed upon the testimony of experts. This standpoint was a justifiable one." In other words, the whole inquiry gravitated about the compilation of a general description of the condition of the exchanges. Apparently, all incisive suggestions for reform were unconditionally to be avoided. The necessity of separating savings banks from issuing banks was therefore not alluded to, and against the motion of the minority, gambling with margins in wheat was to be retained, "it being in the modern economy of the nations an indispensably precise instrument with which to more effectually balance the wave-like vacillations of the wheat-prices." This particular conception of gambling with margins in wheat was also that of the Professors G. Cohn, Lexis, Conrad, Fuchs, Max Weber, Sering and others. It was but a summary of all these ideas and opinions that was explicitly expressed by the Minister of Agriculture, Baron von Hammerstein, when on January 29, 1895, he made his programme-speech in the Prussian Diet: "Gentlemen," he said, "do not expect that such legislation on the exchanges will bring you a rise in prices! The present prices of corn will thereby obtain but a certain stability."

The bill on the exchanges that was finally introduced into the Reichstag by the Government was also straightway estimated at its true value by the exchanges. The financial papers did not even think it worth their while to busy themselves with a critical consideration of the bill. It was only when the Agrarians had several times pointed out this decidedly remarkable circumstance, that those interested in the exchanges, finally and not without trouble, got up a public protest meeting.

Then came the Parliamentary Committee on the Exchanges Bill, and with it, in the first reading, a complete turn in the Exchanges Reform movement, with the decision to suppress the gambling with margins in wheat. Count Arnim-Muskau introduced a motion embodying the outlines of a bill on money deposit banks, whereupon the money market became "dull," and the money market world commenced "with all permissible means," an energetic agitation against the restrictive resolutions of the Exchanges Bill Committee.

Let the decision be what it may, this much is certain, that only in the independent motions and resolutions emanating from the Exchanges Bill Committee, has the Exchanges Reform movement assumed definite shape to execute in a clear, conscious manner, the great tasks that lay before it. For the first time is recognised in this question legislation purporting to do good without injury to anyone. For the first time—contrary to the opinions of the Minister of Agriculture, Baron von Hammerstein—this legislation exerts a direct influence on the formation of our corn prices. And all these opinions and demands are based upon a diagnosis of the evil of so-called agricultural competition, quite different from that mentioned in the official report of the Commission of Inquiry on Exchanges and in the programme of the Minister of Agriculture, Baron von Hammerstein.

As Count Arnim-Muskau remarks in his introduction to the German edition of Charles W. Smith's important statement of evidence¹ of 1893 and 1894, for the British Royal Commission on Agriculture, entitled "The

¹ This voluminous evidence, which has been translated and circulated in several countries on the Continent, and which was prepared in 1893 and 1894 at the special written request of the Royal Commission on Agriculture and not as a price of evidence to be tendered, has been "suppressed" in spite of questions for its production in both Houses of Parliament, and in face of the fact that it was "officially" printed by the commissioners in 1894 and the type is still in existence. To support my views, Dr. Rühlmann, the author of this work, Mr. T. F. Firth, Vice-President of the Chambers of Commerce of the U.K., Mr. J. C. Fillman, late President of the London Millers' Association, amongst others, offered to give evidence before the R. C., but their services were declined!!!

Option, Future and Settlement Systems, in connection with the Gambling in, and the consequent Depreciation of Food Products and other Commodities," the question is no longer one of overproduction of rye and wheat, but one concerning the exploiting activity of the speculating international great capitalists. The old shibboleths, "overproduction," "virgin soil," "impoverishment of the land," will vanish from Germany just as in England and America they have already disappeared from every discussion of agricultural questions. And thus the betterment of corn prices is not left in the main to the free self-regulation of the world market and to the restriction of production, but is the essence of a great legislative problem arising solely and entirely out of the modern development of civilisation.

In this respect, the latest stage of the development of the so-called agricultural competition, the so-called Argentine competition, offers us a simple classical example.

Professor Sering, who still belongs to the representatives of the "overproduction theory," was logically right from his point of view when, in the year 1887, in his great work "The North American Competition," he expressed himself on the future development of the Argentine Republic as follows:—

"Ever since 1864, there seems to have been a stop to the increase of the corn-growing area, and there is no doubt concerning the small yield of corn. As a matter of fact it would be impossible to discover any reason why this country should produce corn more cheaply than do the newly settled North American districts. For it neither surpasses the latter in the cheapness of carriage, nor in fertility of the soil, and is very much behind them in the use of agricultural technical appliances." What, as a matter of fact, was actually occurring? At the very moment that Sering was, according to the "overproduction theory," denying the possibility of Argentine competition having a future before it, the capitalistic foundation of the Argentine Republic was taking place on the exchange.

The first loan, which in a way may be looked upon as the foundation of the more recent history of the Argentine Republic, was that raised in England under the law of October 21, 1885, and amounted to 8,290,100. Then came the noted first gold loan based on the law of December 2, 1886, amounting to 10,291,000 pesos. After that came the Argentine railway loans of 1887, which, together with loans effected through the mediation of the German money market, set millions circulating. Meanwhile, the great capitalistic building companies had been founded, and with this money they built the harbours, the towns, the railways, the roads, and the granaries in the Argentine Republic, whilst the great capitalistic colonising companies were brought into life, and, through their emigration agents, provided peasants from Italy and the South of France with free passages to Argentine, and settled them there. And when all this had happened and that for the last time fat dividends had been paid out to the owners of shares in the Argentine building and colonising companies, there came the great Argentine "smash" on the exchanges, in which the credulous small capitalists of Europe lost millions. Meanwhile the swindling transformation of the gold currency into a paper one had occurred! It brought about a premium of 400 per cent., that is to say, the peso, legally worth four shillings, could be bought on the London Stock Exchange for one shilling. With this cheap money the international "bear" speculators bought up the small quantity of Argentine wheat, and thereby, within a few years,

¹ The Argentine Government in 1893 proposed legislation to prohibit gambling in the "paper" dollar, whilst last year the Russian Government absolutely prohibited gambling in the "paper" rouble.

forced the price of wheat all over the world to a depth that seemed almost impossible. The greatest quantity of wheat ever exported by Argentine is the export for 1894, amounting to 7,396,000 quarters. *This is scarcely 2½ per cent. of the then wheat harvest of the world. And this 2½ per cent. in the hands of the international "bears" depressed the English wheat prices from 35s. 1d., the average price of the year 1891-92, to 17s. 6d. per quarter in October 1894; that is, more than 50 per cent.!*

This, in a few words, is the actual history of the development of the Argentine competition. According to the theory of "overproduction," Professor Sering was certainly right in denying in 1887 that it had any future before it. But, according to the theory of capitalistic employment, there could be no doubt in the year 1887 that Argentine would soon exert an evil influence on the price of wheat. The necessary money, without which no great economical changes can arise, was provided by the great international capitalists who, by means of the exchanges, drew it out of the pockets of those who had accumulated small savings. Everything being ready, the great "smash" on the exchanges brought this reduction of prices about, which so affected the railways, for example, that they could only just cover their working expenses. Exports were further considerably favoured by the most one-sided preference rates, payable in paper, for distant goods traffic, as compared with the rates for local traffic. *The natural end of this polymorphous development was the "bear" speculation on the Corn Exchanges!*

Any one rightly judging all these evils from the point of view of capitalistic achievements cannot believe that the mere use of a single remedy would suffice to rehabilitate our wheat prices. The several spheres of activity in which all the world over the great cosmopolitan international capitalists are engaged, require each in its turn to be investigated and reformed: the stock exchanges, the produce exchanges, the currency, the freight rates, the sugar and spirit taxes, as also the taxation of the flour trade, etc. Only when the whole of these reforms have been introduced shall we obtain corn prices acceptable to the farmer and the consumer. This conviction is being accepted more and more abroad. One of the latest expressions of it is to be found in a speech made by the *Austrian Minister of Agriculture*,² Count Ledebur, upon the pernicious gambling in fictitious wheat. In my opinion, we must lay particular stress upon this conviction, especially when considering the suppression of gambling with margins in wheat. Before I deal any further with this measure, I wish to submit a few statistics to closer examination in order to judge better of the value of the theory of so-called overproduction, as well as to show the magnitude to which the gambling of the exchanges with margins in wheat, also known as dealing in fictitious futures, has grown.

¹ Result—English wheat declined from 41s. 8d. per quarter in 1891 to 17s. 6d. in October 1894.

² The Austrian Minister of Agriculture gave notice in the Reichstag on April 16, 1896, of proposed legislation to prohibit gambling in "Futures" of European corn. In an official communication I received this month from the Austro-Hungarian Embassy in London, the particulars of proposed legislation by the Austrian Government are set forth. Count Ledebur also informs me that the question of time-bargains will be considered separately by the Government. The question will also come up for consideration at the International Agricultural Congress, convoked by the Hungarian Minister of Agriculture, to be held at Budapest in September next. The sole object of discussion of the Congress will be the question of "The Depression of Corn Prices." The "Chicago Times and Herald," of June 25, 1896, remarks on the present unwarranted cheapness of corn. "Prices are already so low as to create a demand for visionary and dangerous remedies. They might get so low as to create amongst the agricultural classes some such mutinous spirit as was exhibited by the industrial class in Great Britain during the early part of the Victorian reign, and which gave England such a scare." I can fearlessly express the opinion, that these gambling systems, especially in connection with our "Daily Bread," will in time, when thoroughly understood, be proved to be the greatest curse to the nation at large, and their introduction into this country be acknowledged to be the "blackest spot" in the latter part of Her Majesty's long and otherwise prosperous reign.

II.

STATISTICS.

It will be expedient to examine the theory of so-called overproduction from a double point of view, both from that of a world-wide as well as from that of a purely national economy.

Its world-wide accuracy seems to have been doubted first of all by bimetallicists. At any rate, I gather from a recent article by H. von Sydow-Dobberphul dealing with the "Silver Question," in the "Deutsche Tages-Zeitung" of October 13, 1895, that already at the beginning of 1886 he had published a statistical compilation showing that the overproduction of corn did not exist.¹ As far back as 1887, a free-trader issued a publication in which, basing himself upon statistical material, he rejected the theory of overproduction as an explanation of the sinking of corn prices. This publication was written by C. Willbrandt-Pisde, and is entitled "The Lasting Sinking of Prices under the Dominion of Protection." The author also, in the year 1886, in his criticism of Professor Julius Wolff's work on the Indian competition, published in the Journal of the Bavarian Agricultural Society, expressed some doubts concerning the truth of the theory of overproduction of corn. These doubts he more exhaustively strengthened in his recent publication, "The Political Economy of the Lord's Prayer," Berlin, 1895. Already in the second half of the eighties, Wood Davis of Kansas, U.S.A., occupied himself with a more extensive statistical refutation of this theory. The best compilation that he made is probably found in the evidence which, according to the official report of 1892, he laid before the Committee of Agriculture of the House of Representatives. Wood Davis's statistical data were then fully amplified by Charles W. Smith, the Liverpool produce-broker, in his various publications on agricultural and commercial depression. The first renunciation of the theory of overproduction of corn found in an official report, is that of Mr. Peffer in the "Report submitted to the Senate Committee on Agriculture and Forestry," Washington, February 15, 1894. After the periodicals of the international corn-trade, such as Bradstreet's "Journal," Beerboom's "Corn Trade Evening List," and the "Bulletin des Halles," had occasionally expressed doubts as to the truth of the theory of overproduction of corn, we now have to be especially thankful to Geo. J. S. Broomhall, the editor of the "Corn Trade News" and of the "Corn Trade Year Book," for giving us in his survey of the Corn Market of the World in 1894-95 and 1895-96, such an extensive statistical refutation of the theory of overproduction as could only result from a year-long study of the statistics of the world's corn trade. At about the same time, the Prussian Minister of War deserves great credit for having published his excellent work on "Corn and Pulse" (Berlin 1894); in this work dealing with a subject so highly important for the future of the nations of the world is to be found an exact computation of the world harvests of cereals from the years 1885 to 1892 inclusive. As the figures given by the Prussian Minister of War do not exactly tally with those given in Peffer's Report and Broomhall's computations, these several data for wheat are here compiled with the prices of wheat in England. The world's rye, barley, oats and maize harvests follow, together with the Berlin market prices for rye and oats, those of Munich for barley, and the price of maize in the United States.

¹ This has also been confirmed by the leaders of the Bimetallic League in London.

The wheat harvest of the world was:—

Year	According to Puffer		According to Broomhall		According to the Prussian War Office	Price of Wheat in England, per Ton
	Thousand Bushels	Million Tons	Thousand Bushels	Million Tons	Million Tons	
1884	2,290,069	61,893	—	—	—	166.30
1885	2,104,034	56,865	—	—	54,541	122.80
1886	2,198,997	59,432	—	—	55,668	145.00
1887	2,227,415	60,200	—	—	63,569	151.10
1888	2,212,843	59,806	—	—	59,245	148.20
1889	2,085,505	56,365	2,174,000	58,756	57,967	138.40
1890	2,170,123	58,551	2,284,330	61,738	58,168	147.70
1891	2,238,362	60,496	2,464,039	66,595	60,172	172.10
1892	2,253,800	60,915	2,441,358	65,582	61,895	140.90
1893	—	—	2,512,432	67,903	—	122.80
1894	—	—	2,562,924	69,568	—	105.80
1895	—	—	2,491,950	67,350	—	107.00

According to the calculations of the Prussian War Office, the world's harvest was:—

Year	Rye		Barley		Oats		Maize	
	Million Tons	Berlin Price per Ton	Million Tons	Munich Price per Ton	Million Tons	Berlin Price per Ton	Million Tons	Price per Ton in United States
1885	34,019	140.56	17,614	162.25	34,390	134.18	61,050	44.52
1886	33,107	130.59	18,330	160.17	38,701	120.36	53,768	36.96
1887	36,781	120.88	19,772	157.30	38,476	98.43	47,514	33.79
1888	35,414	134.46	20,200	170.29	39,354	123.04	62,519	44.02
1889	30,039	155.53	17,234	165.53	37,570	149.02	67,275	45.06
1890	34,139	169.99	19,066	196.40	37,729	157.79	52,573	34.73
1891	27,840	211.23	19,816	179.56	39,953	165.63	65,781	45.36
1892	36,925	176.34	19,430	164.33	37,641	143.75	53,261	38.81

According to Broomhall, the world's visible supplies of bread stuffs were:—

	At the Beginning of		1891-92	1892-93	1893-94	1894-95	1895-96
	Million Bushels		Million Bushels	Million Bushels	Million Bushels	Million Bushels	Million Bushels
August	109	123	109	178	175	158	158
September	122	146	146	183	190	122	122
October	155	166	166	196	205	177	177
November	179	169	169	221	221	210	210

According to Broomhall, the supply and demand of wheat for the years 1888-89 to 1894-95 were respectively as follows:—

	Supply in Quarters	Demand in Quarters
1888-89	289,000,000	285,000,000
1889-90	271,000,000	288,000,000
1890-91	286,000,000	290,000,000
1891-92	307,000,000	293,000,000
1892-93	305,000,000	296,000,000
1893-94	307,000,000	299,000,000
1894-95	315,000,000	302,000,000

For the current harvest-year, Broomhall estimates that the prospective surplus available for export, as compared with the prospective wants of the importing states, in wheat and wheat flour, rye, maize, barley, and oats, will be as follows:—

	Wheat and Wheat-flour	Rye	Maize	Barley	Oats
Prospective supply available for Export	Quarters 46,500,000	Quarters 6,100,000	Quarters 22,650,000	Quarters 15,150,000	Quarters 10,900,000
Prospective Demand of Importing States	49,900,000	6,710,000	21,950,000	14,820,000	10,872,000
Total surplus	—	—	700,000	330,000	28,000
Total deficiency	3,400,000	600,000	—	—	—

According to Broomhall, the following relation existed in the two decades, 1875 to 1884 and 1885 to 1894, between the wheat and rye harvests, and the total population:—

FOR THE WHEAT HARVEST.

	Population	Amount in Bushels	Bushels per Head
1875-84	397,000,000	1,690,000,000	4.3
1885-94	434,000,000	1,874,000,000	4.4

FOR WHEAT AND RYE TOGETHER.

	Population	Amount in Bushels	Bushels per Head
1875-84	—	2,800,000,000	7.08
1885-94	—	3,000,000,000	6.84

A better idea may be obtained of the tenability of the theory of so-called overproduction when one compares the relations existing between the production, the consumption, and the price of cotton, coffee, and silver.

Among the most complete special statistics of commodities may be mentioned those of cotton. And among statisticians who have specially devoted themselves to cotton, Thomas Ellison of Liverpool is most generally known. Moreover, at the end of last year, a committee of the Senate in Washington published a 1,000-pages-thick official report on the sinking of the cotton prices and the causes thereof; in this report all the material relating to the question is collected. Naturally, the alleged average overproduction was also thoroughly examined in respect of its casual influence upon the sinking of prices, and was in the most decided way admitted to be non-existent. The report comes to the following conclusions:—

In the year 1860-61 the total supply of cotton amounted to 6,356,000 bales, and the supply at the beginning of the new harvest was sufficient for the spinning-mills of America for 5 weeks, and for those of Europe for 12½ weeks. In the year 1890-91 the total supply was 11,640,000 bales, and at the beginning of the new harvest the American mills had but a 4½ weeks' stock, and the European mills one of 7 weeks. And yet the cotton prices sank from 7.63 pence a pound in 1860-61 to 4.18 pence in 1891-92. In 1892-93 the supply of cotton was 11,702,000 bales, and the stocks at the beginning of the new harvest were sufficient for the American mills for 5 weeks, and for those of Europe for 11 weeks. The price of cotton was 4.75 pence. In 1893-94 the total supply amounted to 11,609,000 bales, and at the end of August 1894 American mills had a 4 weeks' stock, European mills one of 9½ weeks. Cotton, however, was quoted at 3.9 pence.

From 1851 to 1860 the American cotton harvest rose from 2,410,000 to 4,861,000 bales, i.e. more than doubled itself, and yet the price of cotton in 1851 averaged 10.94 pence, and in 1860, 10.91 pence, or about the same price. In the decade 1881-82 to 1891-92 the American cotton harvest rose from 5,435,000 to 9,038,000 bales, an increase of 65 per cent., and yet the price sank to 6.18 pence.

As regards the *coffee market*, A. van Gülden has appended a graphic table to his excellent examination of the trade in futures and of the exchanges (Berlin 1895), from which may be gathered the following facts telling against the theory of so-called overproduction:—

1. In the harvest year 1887-88 the world's production of coffee amounted to only 7,077,000 sacks as against 10,312,500 sacks in the preceding year, 1886-87, and yet the price of coffee sank in Hamburg from 90 pfennige in September 1887 to 61 pfennige in March 1888.

2. In the harvest year 1888-89 the production of coffee rose from 7,077,000 sacks in the preceding year to 10,598,000 sacks, and yet, even after the collapse of the "corner" in September 1889, the price rose to 84 pfennige in December 1889.

3. In the harvest year 1891-92, with a very small supply, the price of coffee was forced down from 83 pfennige in July to 72 pfennige in October 1891.

With reference to the price of *silver*, it has been repeatedly pointed out by Count Mirbach, von Kardorff, Dr. Arendt, and others, that overproduction is not and can not be the cause of the drop in the price of silver. At the least, the consumption has increased proportionately to the production, and nowhere is the silver market burdened with stocks worth mentioning. On the contrary, it has been noticeable that a strong demand for silver for immediate delivery straightway embarrasses the market.

From the point of view of national economics one may marshal, among others, the following statistics against the theory of overproduction:—

According to Charles W. Smith, the average wheat and wheat-flour supplies¹ of Great Britain were:

Year	Imports, Quarters	From English Crop, Quarters	Total, Quarters	Lbs. per Head of Pop.	Price per Ton	Prices per Quarter	Natural Prices per Quarter
1871-74	11,253,192	11,800,831	23,054,523	346	Marks	s. d.	s. d.
1875-78	13,686,966	10,842,287	24,529,253	356	205/1	57 0	50 7
1879-82	17,113,197	8,566,227	25,679,424	355	207/0	44 8	49 4
1883-86	17,501,007	9,402,287	26,903,294	358	164/0	35 3	48 11
1887-90	18,780,418	9,456,111	28,236,529	365	146/5	31 6	47 11
1891-94	22,008,346	7,459,712	29,468,058	369	131/2	28 4	47 5
1895	23,360,952	4,700,000	28,060,952	344	107/4	23 1	50 10

Thus, in the decade from 1871-82, when Great Britain had 352 lbs. per head, the price was about 50s., yet with only 344 lbs. available for 1895, instead of the price being £2 10s. 10d., it is only £1 3s. 1d., or over 54 per cent. less. In 1894, with only a total supply of 365 lbs., the price fell from £1 6s. 3d. in January to 17s. 6d. in October. Does not this prove that the laws of supply and demand have ceased to regulate prices, and to what can be ascribed this continual decline in prices, except to the enormous "fictitious" supplies, created by "bear" operations?

Similarly, according to Broomhall's data, we have on page 9 the following data for France:—

¹ Statistics as per the official returns of the Board of Trade. English prices compiled by A. Williamson, author of "British Industries and Foreign Competition."

Year of Harvest	Harvest	Net Imports	Total Quantity	Per Head of Population	Paris Price, August 1
	Grs.	Grs.	Grs.	Grs.	Francs per 100 kg.
1884-85	39,400,000	4,960,000	44,400,000	1.19	1885: 21.95
1885-86	38,026,000	2,249,000	40,200,000	1.07	1886: 23.00
1886-87	36,996,000	4,753,000	41,700,000	1.10	1887: 22.75
1887-88	38,777,000	4,832,000	43,600,000	1.14	1888: 26.30
1888-89	33,221,000	6,480,000	39,700,000	1.04	1889: 22.00
1889-90	39,246,000	4,163,000	43,500,000	1.14	1890: 27.25
1890-91	41,000,000	5,643,000	46,600,000	1.22	1891: 26.60
1891-92	26,700,000	14,144,000	40,800,000	1.07	1892: 22.60
1892-93	37,000,000	2,900,000	40,800,000	1.06	1893: 20.70
1893-94	34,800,000	6,840,000	41,640,000	1.06	1894: 18.10
1894-95	42,855,000	2,660,000	45,515,000	1.18	1895: 18.90
Average for 11 years	37,100,000	5,420,000	42,600,000	—	—

From the foregoing statistical material we are led to the following considerations:—

1. The world-harvest of 1889 was at least three million tons smaller than that of 1884; nevertheless, the price of wheat in England was in 1889 28s. per ton less than in 1884. But Broomhall's special data of the supply and demand merely confirm the fact, that the price of wheat is now quite independent of the actual relation existing between the production and the consumption.

2. In 1891, we probably had the greatest world-harvest since 1884. At any rate, the harvest in that year was greater than it was in 1889, to the amount of about four to five million tons. *And yet the prices in England were, in 1891, 34 shillings a ton higher than in 1889!* Another loosening of the connection between price and the relations of supply and demand in actual commodities.

3. This pernicious development is seen most clearly in the way prices have shaped in the immediate past and are now doing. The world's crop in 1895 was about equal in size to that of 1891. For the current year Broomhall himself reckons a deficiency of 3,400,000 quarters of wheat and 600,000 quarters of rye, the visible supply of the world's trade being at this time the smallest for the last three years. And yet, in spite of all this, the price of wheat in England was, in 1891, 172s. per ton, and in 1895 107s. per ton. *Wheat prices having once sunk seem unable to recover!*

4. Reckoning wheat with rye, even according to Broomhall's figures, the fact remains that in the decade 1875 to 1884, the nations of the earth had more breadstuffs at their disposal than in the decade 1885 to 1894. And yet, between 1873 and October 1884, the price of wheat in England has sunk from 61s. 7d. to 17s. 6d. per quarter.

¹ In 1891, an attempted corner in options of wheat was made in America and England. Result—English wheat rose from 32s. 3d. to 41s. 8d. A panic in "futures" followed. In 1892, the average price of English wheat in consequence sank to 30s. 3d., and in 1893 to 26s. 4d. In 1893, Cudahy of Chicago attempted another corner. On his failure, the world's produce exchanges witnessed the greatest panic ever known. May options falling, in Chicago, 7 cents in one hour. The fall in American options showed 36 per cent. depreciation as compared with prices ruling before the failure of Cudahy. As a direct result of this, the price in Liverpool during the month of May was the lowest quoted in the world, viz. 8s. 8½d., as against 6s. 5d. quoted ex quay Liverpool, in Chicago. At this period, the leading operators in America and Liverpool turned "bears," and continued to "hammer" the option market till the following October, 1894, when, it will be remembered, English wheat, in the height of the panic in "futures," reached the unprecedented price of 17s. 6d. per quarter!

Finally, according to official data, more especially the estimable publications of the Prussian War Office, one obtains the following figures for Germany:—

1. WHEAT (INCLUDING SPELT) AND RYE.

Harvest Year	Harvest		Net Imports (including Flour)		Yearly Consumption per Head of Population, excluding seed and grain used for industrial purposes			Berlin Prices	
	Wheat	Rye	Wheat	Rye	Wheat	Rye	Together	Wheat	Rye
	Million Tons	Million Tons	Million Tons	Million Tons	in Kilos.	in Kilos.	in Kilos.	per 1,000 Kilos.	in Marks
1878-79	3,060		0,488		70		221.4	177.24	126.02
1879-80	2,739	6,920	0,076	1,095	51	151.4		207.13	165.20
1880-81	2,834	5,562	0,363	0,876	60	116.0		214.56	208.31
1881-82	2,508	4,933	0,355	0,750	53	95.1		208.14	172.14
1882-83	3,012	5,448	0,570	0,630	68	104.0		176.20	134.11
1883-84	2,798	6,390	0,449	0,543	61	122.4		181.04	147.25
1884-85	2,959	5,600	0,770	0,921	71	113.4		165.35	112.01
1885-86	3,065	5,451	0,101	0,956	56	111.5		158.37	134.11
1886-87	3,107	5,820	0,159	0,533	58	104.1		161.38	127.37
1887-88	3,287	6,092	0,366	0,566	66	110.9		162.23	117.99
1888-89	2,867	6,375	0,253	0,516	55	116.2		182.99	148.06
1889-90	2,672	5,522	0,413	0,989	54	108.4		192.06	165.29
1890-91	3,324	5,363	0,528	0,789	70	101.1		205.21	180.71
1891-92	2,711	5,867	1,133	0,783	70	110.9		214.34	219.51
1892-93	3,661	4,782	0,870	0,936	84	91.9		155.59	141.79
1893-94	3,418	6,828	0,648	0,247	75	120.2		207.2	125.81
1894-95	3,438	7,460	1,100	0,260	84	132.2		135.24	117.34
Average	3,027	5,971	0,500	0,708					
Total	8,998		1,208						

II.—BARLEY.

Harvest Year	Total Harvest in Million Tons	Net Import in Million Tons	Consumption per Head of Population (exclusive of Seed and Grain used for industrial purposes) in Kilos.	Market Price per 100 Kilos in Marks
1878-79	2,325	0,324	28.1	—
1879-80	2,057	0,005	14.6	168.00
1880-81	2,146	0,253	13.6	187.20
1881-82	2,076	0,176	16.8	149.94
1882-83	2,256	0,334	24.6	166.60
1883-84	2,131	0,375	21.0	162.00
1884-85	2,220	0,546	26.6	159.29
1885-86	2,260	0,378	22.0	164.54
1886-87	2,337	0,357	23.4	181.62
1887-88	2,205	0,583	25.1	180.11
1888-89	2,260	0,520	29.9	171.50
1889-90	1,938	0,797	27.1	165.00
1890-91	2,283	0,771	25.8	166.16
1891-92	2,517	0,792	35.2	165.40
1892-93	2,421	0,689	—	—
1893-94	1,947	1,093	—	—
1894-95	2,432	1,150	—	—
Average	2,225	0,543	—	—

5. Contrary to the prices of oats and maize, the price of barley remains surprisingly stable. The prices of barley have also continued good, whereas with oats and maize extraordinary changes have occurred. The same may be said of the prices of cotton and coffee, also, as is well known, of the price of silver and sugar.

III.—OATS.

Harvest Year	Total Harvest in Million Tons	Net Imports in Million Tons	Consumption per Horse (after deduction of Seed) in Kilos.	Berlin Price per 1,000 Kilos in Marks
1878-79	5,040	0,180	1312	129.12
1879-80	4,264	0,144	1081	150.04
1880-81	4,228	0,164	1077	161.51
1881-82	3,760	0,319	988	155.32
1882-83	4,508	0,123	1145	136.41
1883-84	3,718	0,384	994	146.62
1884-85	4,237	0,279	1111	148.18
1885-86	4,342	0,092	998	126.60
1886-87	4,835	0,075	1196	107.86
1887-88	4,301	0,184	1010	104.89
1888-89	4,647	0,217	1108	137.10
1889-90	4,197	0,267	1029	162.03
1890-91	4,193	0,138	1154	153.84
1891-92	5,279	0,097	1228	162.46
1892-93	4,743	0,094	1094	146.96
1893-94	3,242	0,330	784	153.94
1894-95	5,250	0,284	1280	127.75
Average	4,443	0,202	1088	—

6. An examination of the conditions, from a national economical point of view, points to the growing independence of the movement of corn prices from that derivable from the supply and demand of real commodities. In the years 1871-74, England had on an average per head of the population 346 lbs. of wheat at her disposal, and the average price of wheat was 26s. a ton. In 1895, the quantity of wheat available per head was 344 lbs., i.e., about the same amount, but the average price of wheat was but 107s. a ton. In France, in 1891, with a supply of 1.22 quarters of wheat per head of the

population, wheat was quoted 266 f. a ton, whereas in 1895, with a supply of 1-18 quarters of wheat per head, the price was but 189 f. a ton. In 1878-79, Germany had at its disposal more rye and wheat than in the harvest year 1894-95, and yet the price of wheat per ton was then 177 marks, and that of rye 126 marks, whereas in 1894-95 wheat was quoted 135 marks and rye 117 marks, *in spite of protective tariffs*. The data for wheat show us how false it is to assume, without further inquiry, that the high prices of barley are due to a more acute demand for industrial purposes and especially for brewing. Since the harvest year 1889-90, we have had a continually growing surplus over the demand for industrial purposes, a surplus which, in the last harvest year, reached a height not witnessed for seventeen years, and yet the price of barley has remained a profitable one.¹ It is very difficult to form any judgment of the price of potatoes, owing to the extraordinary variations between local markets. The tables for oats show a better connection between the quantity of the goods and their price, as is the case with wheat and rye. *They also once more show how little trade concerns itself with the results of the home crop.* The moment a favourable opportunity presents itself, imports will be made, without the slightest consideration as to whether or not there are already sufficient local supplies of the article imported.

IV.—POTATOES.

Harvest Year	Total Harvest in Million Tons	Net Import in Million Tons	Consumption per Head of Population (exclusive of food and industrial purposes) in Kilos.	Berlin Price per 1,000 Kilos.
1878-79	23,592	+0,227	345	42.4
1879-80	18,905	+0,809	236	54.0
1880-81	19,466	+0,256	249	51.0
1881-82	25,491	+0,178	358	44.0
1882-83	18,069	+0,264	206	59.5
1883-84	24,906	+0,153	349	53.5
1884-85	24,020	+0,059	328	51.2
1885-86	27,354	+0,134	380	47.0
1886-87	25,143	+0,102	332	46.29
1887-88	25,273	+0,059	351	36.66
1888-89	21,511	+0,083	289	30.09
1889-90	25,004	+0,040	377	38.19
1890-91	25,321	-0,022	321	52.22
1891-92	18,558	-0,212	234	66.81
1892-93	27,988	-0,068	410	41.04
1893-94	32,277	+0,099	488	35.73
1894-95	29,049	+0,034	413	52.01
Average	24,266	+0,123	—	—

7. In Germany, as in France, we note that since the sinking of corn prices in 1892 a greater quantity of wheat has been grown there. France, as well as Germany, could probably have fed herself in the last few years and could have dispensed with importations from abroad. The explanation of this surprising phenomenon is obvious. Tillage being the backbone of agriculture, it follows that the ruin which the sinking of prices threatens to bring can only be immediately avoided by an extension of tillage. *The same phenomenon was noticeable in England after the repeal of the Corn Laws*, which is the reason why "pure theorists" still assert that "English agriculture

¹ The average price of English barley declined from 1875 to 1893, in comparison to its average price 1846-1874, only 11½ per cent. In 1894, barley was quoted 6s. 5d. per quarter higher than wheat, whereas in 1873, it was quoted 20s. per quarter lower than wheat. The decline in barley since 1891 has only been 16 per cent. against one of 61 per cent. in wheat.

made rapid progress in all directions at this time." It was only after great numbers of those who were then farming in England had been ruined, that the wheat area rapidly diminished. In 1856-57 this area still amounted to 4,213,651 acres, in 1879-80 to 3,047,752, and in 1895-96 to but 1,456,200 acres. Meanwhile the net imports of wheat and wheat-flour have grown from 4,102,584 quarters to 25 million quarters, and the population from 28 to 39½ millions. Under such conditions even the corn trade becomes an anxiety. For this reason, English produce exchanges have arranged that, in the event of an extraordinary rise in prices occurring to prevent a dealer from meeting his engagements, he may be condemned by the Exchange Committee to a payment to the last seller of a maximum fine of 10 per cent. of the value of the wheat sold. In this way the matter is settled. Broomhall, however, approves of the suggestion, very much discussed in England just now, that the wheat supply for at least one year should be kept in national granaries.¹ Should this not be done, Broomhall maintains that the day may easily come, in which there will be neither a Conservative nor a Liberal party, but simply one great Party of Starvationists.

In view of such facts as these, it certainly is not re-assuring for us to read in Broomhall, a few pages earlier, that in the matter of its food supplies, Germany is on the best way to follow the example of England.²

III.

THE AMOUNT OF THE SPECULATIVE TRADE IN FUTURES.

ACCORDING to the Committee Report made to the Senate at Washington, there were, in 1892, 1,151,448,000 bushels dealt in on the Corn Exchange, and in 1893, 1,052,008,000 bushels, or a total of 2,203,456,000 bushels, whereas in both these years the turnover in actual wheat did not probably exceed 75,000,000 bushels. *The trade in futures was thus about thirty times as great as that in produce for immediate delivery.*³

¹ This latest suggestion of Government interference in this country is the establishment of National Granaries. Whether the expenditure of the enormous sums of public money with so large an extent of wheat-growing land derelict in this country, can be justified as a national question is a subject on which I have no opinion to be given. All that I wish to point out here upon the subject is that the establishment of State Granaries, *which these gambling systems in non-existing produce are tolerated*, would offer to international capitalists and the ordinary produce gamblers a means of operating by which prices could be even more extensively manipulated than is at present the case, and, therefore, would form a highly dangerous incentive to "bear" operations with their attendant artificial depreciation of prices. These National Granaries, or what are termed elevators in America, are recognised as an unknown power to the "bears." It is, therefore, surprising to see our English agricultural members of Parliament bring this acknowledged cause of ruin to American farmers before our Chambers of Agriculture as a means of benefiting our national industry, and still more remarkable for our chambers to support a resolution in their favour as the Central Chamber of Agriculture did this month. On p. 56, it will be noticed that the German Farmers' Alliance have already sketched out the outlines of legislation on the subject of granaries, "with the object to prevent the 'bears', as now, baring the whole of the granaries and evicting the goods stored there in order to depress prices." It may not be generally known that private elevators exist at present in Liverpool, owned by London and Liverpool grain capitalists, who also are large operators in futures. Also, that there is a project afoot to build similar institutions at Hull.

² The reduction of the wheat area in Great Britain since 1890 is 40 per cent. Last year, in comparison to 1894, it decreased 524,000 acres. The stocks of wheat (including flour) in Great Britain are barely equal to three weeks' consumption, say, 1,700,000 quarters as against 2,300,000 in 1895. The masses eat five loaves made of foreign wheat to one loaf of home-grown wheat!!! A truly alarming position.

³ It is estimated, taking the recognised produce exchanges of the world, the trade in futures is from 60 to 70 times greater than the actual produce grown. This is exclusive of the gigantic operations on the "Bucket Shops" throughout America, where absolutely in every transaction not one lb. of worth of actual produce is ever dealt in. The Chicago Board of Trade has recently been attempting through the Courts to quash these outside bucket shops, simply because they

C. Wood Davis, of Kansas, called as an expert before the Committee on Agriculture of the House of Representatives of Washington, on February 3, 1892, testified as follows:—

In 1885, 5,988,000 barrels of flour reached New York. In this very year 3,362,000 barrels of flour were sold on the New York Exchange. The proportion between the quantity received and that sold on 'Change was thus as 10 to 6. Four-tenths of the total arrivals went directly into the hands of the consumers, without passing through the exchange.

In the same year, the crop of wheat of the United States amounted to 357,000,000 bushels. Of this amount 24,000,000 bushels were carried to New York—i.e., about 3,000,000 less than of wheat-flour—and on the New York Exchange, 1,391,488,000 bushels of wheat were dealt in. For every bushel of wheat actually received, contracts for 57.9 bushels were made (1 : 57.9).

In the same year, 1885, the American maize crop amounted to 1,936,000,000 bushels. Thirty-nine million bushels thereof were forwarded to New York, where futures for 339 million bushels of maize were sold. The proportion between goods and contracts for futures was in this case 1 : 8.9.

In 1885, 58,000,000 bushels of barley were harvested in the United States. Of this number, 4,267,000 bushels were sent to New York, and only 2,170,000 bushels sold on the Exchange. In this case, then, almost a half was directly consumed, without calling for the intervention of the Exchange. The proportion between the goods and the sales on the Exchange being as 10 : 5.2.

In the six years, 1885 to 1890, 39 million barrels of flour were forwarded to New York, and only 20,500,000 barrels sold on the Exchange. Proportion of goods to sales on the Exchange almost 2 : 1. In the same six years 2,576,000,000 bushels of wheat were grown in the United States, of which 162,000,000 bushels were forwarded to New York, and 3,582,000,000 bushels sold on the Exchange. Proportion of goods to sales on the Exchange, 1 : 53. In the same period 363,000,000 bushels of barley were grown in the United States, of which 25,000,000 bushels came to New York, and only 10,000,000 bushels were sold on the Exchange. Proportion of goods to sales on the Exchange, 2.5 : 1.

The wheat harvest of the world was, in 1887, 2,267,000,000 bushels. In that year alone 1,727,000,000 bushels of wheat were sold on the New York Exchange. Now, in the United States there are twenty-six exchanges dealing in wheat-futures. Among them is Chicago, where, it is said, their contracts for wheat-futures are 3, 4, 5, 6, 8, and 10-fold those of New York. Assuming that, on an average, each of the said twenty-six exchanges had half the sales of wheat-futures that New York had, then in the year 1887, the Corn Exchanges of the United States dealt in ten times the amount of the harvest of the world.

In the month of April 1890, 3,039,000 bushels of wheat reached New York; on the Exchange there, during the same month, 245,000,000 bushels of wheat were dealt in. Of this amount, 44,000,000 bushels were dealt

were taking their speculative business from them. The Judge decided that they were no more illegal than the Boards of Trade. Switzerland is the only country which some years ago passed legislation whereby these gambling transactions were rendered illegal, and all "differences" due on "Future" transactions irrecoverable. A notable instance lately occurred in Liverpool, whereby a German House, established in that city, failed to recover many thousands of pounds from an operator residing in Switzerland. To make this remedy a "world's" success, it is absolutely necessary that all countries, where gambling exchanges in "fictitious" produce exist, follow the example of Switzerland in this respect, as well as that of Germany in "prohibition." *vide Appendix, footnote, page 66.*

in on April 14 alone, while at the very lowest estimate, if all that was offered had found buyers, twenty times this amount would have been sold! In the whole of the year 1890, 15,795,000 bushels of wheat reached New York. And thus, on this April 14 alone, two and a half times the arrivals of the whole year were actually sold, such sales being fictitious "paper" wheat. This is an example of the daily continuous transactions pervading, more or less, every produce exchange throughout the world.

For the purpose of comparison, I add a table from the before-mentioned Report of the Committee of the Senate in Washington, dealing with the cotton crisis, showing the sales of cotton on the New York and New Orleans Exchanges, the total harvest and the price of goods for immediate delivery.

United States of America :

Year	No. of Bales sold on Exchanges in		Total	Crop	Average price per lb. in Cents.
	New York	New Orleans			
1880-81	28,124,700	10,115,800	38,240,500	6,605,760	11.09
1881-82	32,200,300	16,171,000	48,371,300	5,456,048	11.73
1882-83	26,542,600	13,054,400	39,597,000	6,949,756	10.14
1883-84	28,492,100	9,588,300	38,080,400	5,713,200	10.61
1884-85	23,140,300	8,087,100	31,177,400	5,706,165	10.24
1885-86	26,856,100	7,475,900	34,332,000	6,575,691	8.92
1886-87	32,771,800	11,227,000	43,998,800	6,506,087	9.45
1887-88	27,595,300	9,049,500	36,644,800	7,045,833	9.57
1888-89	21,470,800	6,570,600	28,041,400	6,938,290	10.00
1889-90	24,659,400	6,782,000	31,441,000	7,311,322	10.70
1890-91	30,109,500	8,555,300	38,664,800	8,622,297	8.88
1891-92	40,920,000	12,131,400	53,052,000	9,035,379	7.24
1892-93	60,932,400	16,516,700	77,449,100	6,700,365	8.11

According to the compilations of A. van Gülden in his work "Terminhandel und Börse," the sales of coffee in the year 1887 in the markets for futures were :

Havre	in 12 months	20,305,000 sacks
New York	" 12 "	24,880,000 "
Antwerp	" 2 "	475,000 "
Hamburg	" 6½ "	7,135,000 "

Total 52,795,000 "

as compared with an actual delivery of 9,185,000 sacks. Further, according to the publications of the Hamburg Coffee Liquidation Bank, there were :

	Delivered 1888	Booked, according to yearly report
September	135,000 sacks	4,845,500 sacks
October	154,000 "	1,075,000 "
November	44,000 "	541,500 "
December	78,500 "	2,310,000 "
Total	411,500 "	8,776,000 "
	Delivered 1889	Booked
January	16,000 sacks	206,000 sacks
February	10,000 "	115,500 "
March	82,500 "	1,728,500 "
April	8,500 "	108,000 "
Total	87,000 "	2,161,000 "

Of the business booked at the Hamburg Bank in September, October, November, and December, over 95 per cent. was purely "margin" business, and in January, February, March, and April over 96 per cent. was the same. One may see how rapidly the speculative sales of silver are increasing,

from the latest publication of A. van Gülpen's "Terminhandel und Währung" (1896). According to this work, after the introduction of the sales of "futures" in silver on the London Produce Clearing House, there were sold in London:

1892	1,310,000 oz.	1894	20,860,516 oz.
1893	7,675,000 "	1895	23,510,322 "

The result of these increased operations on the price of silver is summed up by Charles W. Smith in his evidence before the British Royal Commission on Agriculture as follows: "It is only since silver has been recognised as a gambling medium in the London Produce Clearing House, in 1888, that the price of that metal has been so disastrously depreciated by the values quoted 'ahead' in the shape of futures. For example, since 1873, the year of the demonetisation of the white metal, the average lowest price for fifteen years, say from 1873 to 1887, was as high as 50½d., as against 39½d. for the following six years, 1888-1893. It was in the former year (1888) that the metal commenced to be largely gambled in. In March, 1891, it was introduced as a 'registered' commodity. In September, 1893, on the closing of the Indian Mints, it became subjected to a daily settlement. Result since 1888, a yearly decline, ending in a panic in 1893-94, with a depreciation of 51 per cent. since 1890, and one of about 29 per cent. in a period of only about fifteen months after the daily settlement system came into force. Again, when silver was quoted in London in April, 1893, at 27½d., the 'bears' were selling distant 'futures' at the following discount—viz., June and July deliveries at 26½d., and this notwithstanding that the price had declined fully 50 per cent. during the previous three years, the price quoted being the lowest ever recorded." Smith then gives three startling examples and financial results of gambling in the white metal. First, the attempted corner or "pool" of Baring's in America in 1890, the failure of which was the first blow to the fortunes of the Baring family. At the height of the panic, it was estimated that the depreciation in securities on American and European Stock Exchanges was £200,000,000. Second, the gigantic speculation of 1893, based on the Anglo-Indian rupee legislation, the collapse of which caused another colossal panic, with a depreciation of securities, quoted on the London Stock Exchange as £72,000,000.¹ Third, a "bear" operation between New York and London, whereby the Indian Government lost over £1,000,000 sterling on their exchange estimates.

From all these preceding statements, it is clear that the extent of "margin" business is considerably greater than the extent of sales of actual goods. *The greater business naturally rules the smaller.* This fact already shows us the nature of the problem occupying our attention. Before, however, we turn to its consideration, it is necessary that we should have a passing acquaintance with the historical development of the German continental corn-trade.

IV.

FROM THE HISTORY OF THE CORN TRADE IN GERMANY.

It lies in the nature of things that it is one of the functions of the owners of land to provide the population with bread. Formerly, *i.e.*, before the development of the modern methods of communication, every valley was

¹ The direct and immediate result of these financial panics is to paralyse all business. As the basis of 90 per cent. of all produce option contracts is of a gambling nature, the reaction is at once felt in these markets, causing a sympathetic panic in options and futures, with the resultant effect on spot prices and the consequent depreciation of the actual produce.

self-dependent in the matter of its corn supply. And it in consequence of a failure of the crop, or for any other reason, a large quantity of corn had to be procured from elsewhere, it was, till the second half of our century, not customary or possible to purchase wherever in the world the largest quantities at the cheapest price were procurable, but requirements were necessarily obtained from the nearest State, even when this State would thereby be obliged to look elsewhere to meet its own wants. Thus during the Revolution, France bought from the Swiss, the Swiss from the Suiabians, and the Suiabians from the Bavarians. Thus, in 1811, Spain obtained a great portion of its wheat from Italy, Italy supplied itself from the Tyrol and Switzerland, and these lands supplied themselves from Suiabia, Bavaria, and from Austria. And England bought of Amsterdam, Rotterdam, and Hamburg, leaving these markets to supply their own wants whence they could. The geographically bordering States were thus not unlike a chain of connections, stimulated by adjacent requirements. The initiation of the movement came from the demand. And the demand was always addressed to the nearest neighbour, upon whose surplus of corn it depended whether the movement in the chain of connections was carried farther. If the demand was great and the crop a poor one, then the activity of trade extended by stages to greater distances.

In ordinary cases the exchange of agricultural produce was confined to the usual narrow, customary districts. It was only with rising prices and with an active demand, that we find a more extensive commercial activity arising. With sinking prices, brought about by a very good crop and a small demand, the activity of trade soon ceased. Corn was then a "deserted commodity." *The speculations of the corn-dealers were at that time solely directed towards raising prices.* They confined themselves to hoarding up and "forestalling" wheat in order to resell it at a better price. Almost all nations had introduced capital punishment for a repeated raising of prices by such means, and this law was no empty letter, for as late as 1772, two corn-dealers in Munich, and in 1800 one in England, were made short work of on this account.¹

¹ From the year 1216 to 1844, the "forestalling" of farmers' crops was prohibited in Great Britain, both by Statute and Common Law. Both laws were repealed in the latter year. One clause, however, was not repealed, *i.e.*, "Spreading false rumours on the market with a view of influencing the price." On p. 12 of the second volume of M. Palsant's (President of the Civil Tribunal of Versailles) excellent work on "Gambling in Wheat," may be read the wording of the new article 419 of the French Penal Code:—"All those, who by false and calumnious reports, designedly spread amongst the public, by offers made in excess of the prices asked for, or by the vendors themselves, by concert or coalition amongst the principal holders of any particular merchandise or produce, with the object of not selling it, or of only selling it at a certain price, or by any fraudulent ways or means, or by speculations organised or concerted by the vendors themselves, shall have operated the rise or fall of the price of produce or merchandise, shall be punished by imprisonment of one month at least to one year at the most, and by a fine of from 300 to 10,000 francs." Since the passing of the German Stock and Produce Reform Bill this month, it appears the "bears" seemed determined to make merry during their short term of existence. For example, may be read in the London "Times" Berlin report of June 10, 1896, "Option" dealers effected heavy sales in bank shares, thus causing an unsatisfactory disposition for the whole speculative market." As this market includes were the tactics employed in 1892 by the American "bears." Their object is threefold. 1st. To make it appear before the world with regard to prices that the outcome of anti-option legislation is a failure. 2nd. That the result of legislation is increased depression. 3rd. To make as much money as possible in the short period they have to carry on their bearish operations. With regard to these objects, it is well to remember that the German measure only comes into force on January 1, 1897. This leaves International "bears" full power to sell "options" in Germany at any price up to this period. While with regard to the "bulls" who have been, and demoralised by the said legislation, all their outstanding contracts have been liquidated, and unless these same or other operators renew their purchase contracts for later months, the "bears," as now, must remain victorious up to the end of the year. This is the sole cause for the recent exceptional heavy decline in Germany, in comparison with the smaller, but yet universal

And why was this system of supply pursued? The answer cannot be doubtful. Whether much corn was imported or exported, as the case might be, depended upon the irregular advent of a bad crop. At the same time, the facilities for travelling and for conveying news by road that then existed were but little calculated to quickly and easily assist the building up of trade at a distance. The Swiss dealer was not personally acquainted with the Hungarian. And did he happen to visit him in his home, he there found goods that were unsuited to his native taste and the manipulation of which was not understood by his native industry, as is shown by the experiences made in Switzerland with Hungarian wheat down to the forties. Then came the difficulties of carriage. Owners of ships and waggons were not in a position to undertake the punctual delivery of large quantities of goods. Did anyone however address such a demand to them, they did not hesitate to make use of their monopolistic position in order to victimise the stranger by means of exorbitant demands. It was impossible to reckon out the cost of carriage beforehand. Besides which the traffic was soon at a standstill, and before the goods despatched or sent for had finally reached their destination, the famine would not unfrequently have disappeared, and prices would have sunk so considerably as to turn the venture of importing into a considerable financial loss. This was the case in 1817-18 with the Bavarian Exchequer's purchases of corn. The same happened in 1847 with the Russian corn that was sent by way of Stettin to the famine districts of the Erz and Riesen Mountains. Similarly with the English supplies of the same year procured from Egypt. The same thing occurred repeatedly elsewhere. There were consequently good grounds for the Swiss not buying in Hungary but in Lindau. The persons dealt with here were personally known. Here were found customary goods with the means of transport somewhat organised, and here also were old commercial connections. Was the demand, however, greater and of longer duration than usual, it reacted on Munich by way of Kempten, Kaufbeuren, Landsberg, then on to Erding, Landshut, Passau, and finally as far as Hungary, although between the first movement and the final settlement many months would elapse. Thus under these conditions, corn was then a "highly sought"—now a "deserted commodity." That the fluctuations in the prices of corn were correspondingly great was only to be expected.

The construction of railways, the improvement of the waterways, the building of steamships, and the development of the modern post, with its telegraphs and telephones, have combined to produce a complete revolution in these latter years. The news agencies especially now work with an ease and rapidity that was formerly undreamt of. In this respect the obstacles of space have been almost annihilated. Personal traffic also has been so perfected that the different parts of the world have now been brought closer together than were formerly the several parts of the Prussian kingdom. It has now been rendered easy for the Swiss and the dealer from the Rhine to enter into personal connection with the Hungarian, or the Russian with the American, in order to establish permanent trade relations. And when once the goods are sold, the steamer carries them with a rapidity two and three-fold, and the railway five and tenfold, as great as was formerly possible by means of sailing vessels and country roads, with a punctuality so great, and at a cheap cost of carriage so nicely calculable, as to be beyond the most decline that has taken place all over the world, in the prices of the leading commodities dealt in under these international systems [1]. I may remark that by the German Bill, the Federal Council has discretionary power to forbid "option" dealing in any class of goods or securities it may choose. It is to be regretted that the measure did not come into immediate force after passing the Reichstag by such an overwhelming majority. It is however an object-lesson for the benefit of other nations contemplating similar legislation.

sanguine dreams of older days. In all this, the cheapening of the costs of carriage plays such a large part, that a short reference thereto is here necessary.

A hundredweight of pure gold represents a value of £6,975. The value of 1 cwt. of wheat is, perhaps, 8s. Let us assume that the distance to which goods can be carried is on the average limited by the cost of carriage consuming half the value of the goods, and let us further assume that the carriage of 1 cwt. for one mile along an ordinary good level road costs $\frac{1}{8}$ of a shilling, gold will then be able to bear the cost of being carried along a road of a length equal to forty-three times the earth's circumference, whereas wheat could only bear the cost of carriage for sixty-five miles. It is evident that it is a matter of indifference whether the cost of carrying gold decreases. Quite different is it, however, with wheat. Under the above suppositions, its sixty-five mile transportability allows of its being brought, reckoning from Berlin, not quite to Magdeburg nor yet to Stettin, and from Munich not quite to Ulm or to Salzburg. But already, at the beginning of the sixties, the cost of carriage for wheat on the Bavarian railways had been reduced to $\frac{1}{10}$ and $\frac{1}{100}$ of a shilling per ton per mile, and finally to even $\frac{1}{100}$ of a shilling per ton per mile. This is a cheapening of the rates as compared with the former ones 10, 14, 34-fold. The transportability of wheat consequently grows from 65 to 650, 910, and 2220 miles! In other words, the hundredweight of wheat can now be carried from the Black Earth district of Russia to Berlin or Munich at the same price as formerly was required for carrying it by road from Magdeburg to Berlin or from Salzburg to Munich.

Naturally the trade in corn had to undergo a thorough change owing to the influence of these great facilities. Instead of remaining as formerly at the place of consumption, and purchasing from neighbours to meet any special demand, and thus extending this demand to the middle of the continent, the dealer now leaves the place of consumption and turns his attention to the supply. The forces of reduced tariffs have swept away the frontiers of the nations. *The corn trade has become "international," and its economy a world-wide one.* The dealer turns to those countries that offer corn at the cheapest price, and that have the greatest surpluses of it. His moveable capital procures him these surpluses of wheat, and the perfection of the means of carriage permits him to rule the market of the corn-importing countries. This transformation of business occurred immediately after the completion of the first middle-European railways at the beginning of the sixties. And straightway we note the discussion of the so-called agricultural competition forming the central point of public debates. According to Dr. Heinrich Dietz's excellent report on Hungarian Agriculture (1867), South Germany was then complaining of Hungarian competition, and France of the Russian and American. The Hungarians themselves complained of Russian and American competition, whilst even then the farmers of the exporting countries were just as badly off as those of the importing ones. But, and this is where Dietz saw better than most of his followers, even then the originator of these transformations was not the iron plough, or the better cultivation of the soil, nor was it the breaking up of prairie land, but it was the new life that came into trade and commerce.

The first drop in prices that was thereby brought about did not, however, last long. The years of the wars and of the new empire brought once more better prices. Then came the foundation of the great capitalistic development of the American prairies, followed closely by the first sinking of corn prices. Meanwhile India had been opened up, and the influence of Indian competition brought the second great drop in prices. Then, the foundation

of Argentine, which was started in the middle of the eighties, having been ended, there came finally in 1891 the so-called Argentine fall in prices.

Meanwhile something else had happened. Since about the end of the forties there had arisen on the Exchange a trade in rye futures, which was followed up for the first time in 1866 by a trade in wheat futures. German corn-dealers then introduced this trading in corn futures on to the Vienna and Budapest Exchanges, and into the United States of America. In the eighties this form of business was introduced into England, especially into Liverpool (in the meantime the Liquidation Banks had been established); since the year 1888 the great Corn Exchanges on both sides of the Atlantic have daily engaged in gambling with margins in wheat. The amount of the sums gambled in is not the same everywhere. According to Broomhall, the first place is here occupied by Chicago, then come New York, Liverpool, Paris, Berlin, Vienna and Amsterdam. Together with the two greatest Exchanges of the United States, Chicago and New York, St. Louis, Minneapolis, and Duluth also deserve to be mentioned. All these great corn markets enter into the most active daily and hourly correspondence with one another. *The corn, however, with which they chiefly operate is principally to be found on "paper" only.* And thus the stages which the development of the corn trade has run through may be perhaps most concisely designated as follows: "home corn," "foreign corn," "paper corn."

V.

FICTITIOUS DEALING IN FUTURES.

In the corn trade there are, and there always have been, transactions both for immediate fulfilment as well as for postponed fulfilment. The first alone has reference to goods for immediate delivery, while the latter comprise floating goods or goods in railway trucks, that is such as it is agreed upon to ship or to forward at a certain preconceived time. In all these cases, the trader represents the personal binding link between the producer and the consumer, and so serves in the highest way the interests of the community, in that he satisfies the demands for consumption, conveys the wishes of the consumers to the producers, and on the other hand brings the goods of the producer to the individual who can value them at the most. The trader in this way plants and nurtures a number of intellectual connections between the producer and the consumer. At the same time he is himself highly interested in the goods sold. He must pay their price to the full, and during the time he owns them, he is liable to losses from fall of prices. He is unable to fulfil the duties of his occupation unless he has a thorough intimate acquaintance with his goods. According to matured experience, does he buy, deal, and sell. At each purchase or sale of goods, their quality, the amount contracted for, and the time of their delivery have to be adapted to special requirements and conditions, that is, to those of the wholesale business down to those of the shop of the retail dealer.

In recent times, these well organised relations have been disturbed by the eruption on the Exchanges of the organised fictitious dealing in futures. This dealing is characterised as follows: it does not concern itself about personal relations to the producer or to the consumer. The dealer in fictitious futures is now by no means a beneficial tangible member of the economical body. The intellectual connection between producer and consumer is severed, and in its place is substituted the unpersonal "Exchange."

The trader in fictitious futures is, moreover, not at all interested in any commodities; he is conspicuous by his complete want of special knowledge of the goods he deals in. In principle, he is quite indifferent whether the price of goods rise or fall. For he does not pay the price of the goods; he simply pays that which is necessary for the acquisition of "paper-corn." On the Berlin market, say for example, $\frac{1}{2}$ mark per ton brokerage, and a stamp fee of $\frac{1}{10}$ mark per every 1,000 marks of the nominal value of the contract note.

In place of the careful and arduously conceived agreements concerning the quality and quantity of the goods, as also concerning the execution of the contract from time to time, fictitious dealing in futures substitutes the most concisely worded regulations of the Exchange practices. Thus in no way does the fictitious dealing in futures supply the commonly felt necessity of intervention between the producer and the consumer. It is entirely subserved to one passion; the earning as quickly and as easily as possible the largest possible sum of money. The peculiar technique of such operations is the following:

A and B, two gamblers, who without working would like to get as rich as possible, and as quickly as possible, meet on the Berlin Exchange. It is spring, let us say April, and the corn, now growing green, is quoted for future delivery in September at 150 marks a ton. B is of opinion that the price of corn will rise by September. According to his opinion, he will reap a profit if, buying wheat at to-day's price for delivery in September, he subsequently sells it in September at a price that will have meanwhile risen and thus allows him to profit by the difference. On the contrary, A is of opinion that between now and September the price of wheat will fall. He therefore sells wheat for September delivery hoping that he may meanwhile buy the goods he has sold at a cheaper price than they now are selling and earn a corresponding profit. Consequently, both go to a broker and express their wishes to him. B would like to buy wheat, A would like to sell wheat, i.e. now in April for September. *The wheat is not yet grown. It is therefore useless to talk of samples.* Besides which neither A nor B concerns himself about samples. And should they be shown any, they would know nothing about them. They have no wish to procure wheat in order to satisfy any particular desire for consumption. They simply want to earn, without effort, money on "paper" wheat. And to this purpose the practices of the Berlin exchange smooth the way for them as follows.¹

The conditions attaching to the trade of wheat to be delivered within a calendar month, in Berlin, prescribe that parcels each containing 50 tons—i.e. 5 railway waggon loads each containing 200 cwt.—must be dealt in, and that the contract concluded is for wheat that is good, sound, dry, free from any musty smell, weighing on an average 755 grains per liter, and deliverable free within the limits of Berlin in 1893. The gamblers A and B can thus be helped. The broker writes down on one page of his note-book: to B 50 tons at 150; on another page, of A 50 tons at 150. At the close of business, the opposite items are balanced, and A and B receive a contract for their transactions, the so-called contract note. This contract note, which is presented to both parties to the contract on the same day, reads as follows: A to B; object sold, 50 tons of wheat; then come the forementioned qualitative

¹ The practices of the American and English produce exchanges vary, but the working and inner mechanism of the systems is more or less similar as regards their ultimate result on prices, and the power given by the "bears" over the "bulls." In Liverpool and in London the smallest quantity allowed to be sold on a future contract is about 200 tons. In the Appendix will be found a copy of the Liverpool future contract. The one used in the London Produce Clearing House is somewhat similar.

conditions, time of delivery September 1896, price 150 marks for 1 ton, value of goods, 7,500 marks. The contract note also specifies the amount of the broker's dues, known as brokerage. In order that it may be legally binding, it must further be provided with a stamp. At the end follow the signatures of the broker and of the seller. The two gamblers A and B have thus started their business in "paper" wheat. A has sold to B 5 wagon loads of actual wheat valued at 7,500 marks, deliverable in September 1896. And B has bought the same parcel of wheat valued at 7,500 marks—at what price? For the customary brokerage of $\frac{1}{2}$ mark per ton, i.e. for 25 marks and the stamp-duty of $\frac{1}{4}$ mark per 1,000 marks, i.e. 3 marks, or in total, for merely 28 marks.

Now on the next day, the price of September "future" wheat falls to 149 marks. B gets alarmed concerning his transaction in actual wheat. He therefore sells out to C for 149 marks. C sells to D, D to E, and so forth. This continues till the term is up, on September 1, 1896. Z is the last buyer of the fifty tons of actual wheat which he bought of Y for September. Each seller is entitled and bound to notify to the buyer the delivery on any day between the first and the last of September. Supposing now that on September 1 A purchases on the local market fifty tons of wheat, the price of which has meanwhile fallen to 100 marks, and that on the same day he notifies their delivery to B. For this purpose A procures a "notification." It consists of a folded sheet of paper on the first page of which is a printed form: A notifies the delivery of fifty tons of September wheat, lying in the store N, or in the barge M, as the case may be. This form is divided on the other pages, by lines, into seventy-two columns. Only 50 tons may be "notified" with one form. The form must be handed before noon of the day on which the "notification" happens in order to be numbered, stamped, and entered at the "notification" office. The "notification" itself occurs in a special room of the Exchange. The proceedings begin at 12.30. At this time, the representatives of the corn-dealers on the Exchange gather round a horseshoe-shaped table. Within the circle formed by this table are the officials of the notification office. At 12.30 sharp, a bell strikes, and at this moment the officials hand over the "notification" forms to those firms to whom goods are "notified." In this case B receives the form from A. B pencils as quickly as possible, in the first free column: B to C, that is, as seller, he "notifies" C of the delivery of the same goods which have been "notified" to himself as buyer. The official hurries to C, the latter writes in the first free column: C to D, D "notifies" E, E "notifies" F, and so on. This "notification-form" is thus further transmitted until the last buyer has received it, although its circulation is limited to twenty minutes at the most, or, on settling-days, to thirty minutes. At the close of this interval a bell sounds, and the "notification-form" remains the possession of him in whose hand it actually is. This form has been passed on from A to Z. Z is then bound to accept the goods from A, and to pay him for them the middle price of that particular day for futures of the current month, the so-called settlement-price, in this case 100 marks. A had however previously sold to B for 150 marks. He thus gets paid from B the difference between 150 and 100 marks, i.e. 50 marks. B had sold to C for 149 marks. He thus gets paid from C, $149 - 100 = 49$ marks, and so on. Thus B lost 50 marks on his transaction, whereas A won 2,500. These 2,500 marks have to be paid by the fellow-operators from B to Z. The share of the total loss borne by each operator is not to be discovered from the contract note. This remains a business secret of the two parties to each operation.

Now it would be a mistake to suppose that because a "notification form" of fifty tons of wheat contains but 72 free columns, it can therefore only be used for 72 "notifications." This number is rather calculated according to

the number of transfers made in the above-mentioned way that can be carried out on an average in the prescribed time of twenty to thirty minutes. On the contrary the goods "notified" to-day can be further notified to-morrow on a new form of "notification." So that this parcel of 50 tons of actual wheat serves as a basis for ten to twenty "notification-forms," and these to the transaction of 720 to 1440 sales of fictitious futures of each 50 tons, before some accident brings it into the hands of the consuming public! This is an explanation of the fact that there are in Berlin but a few wheat-firms which deal solely in actual wheat and own their own granaries. The great majority of the Berlin grain dealers have their grain stored in the shape of "contract-notes" in their safes. But it is also generally well-known, that these few grain-dealers who have actual grain in store use the same few thousand tons of wheat for years as a basis for enormous fictitious dealings in futures. The expert Rosenfeld pointed out in his testimony before the Committee of Inquiry on Exchanges, that it had been calculated that already, after two years, this wheat cost the dealers nothing on account of the high charges made for "contango," nobody being willing to accept delivery.

But this does not by far end the list of abuses of real goods by the "fictitious futures." The expert van den Wyngaert testified before the above named body: "On October 19, 1893, 20 forms each for fifty tons of rye were given in at 12.45 A.M., and straightway eighteen or nineteen forms returned to the giver-in of them. So that only one or two 'notifications' were executed." The same expert further says: "It has happened that delivery of a barge-load of goods was 'notified,' and acknowledged as good and sound. As the barge came to the wharf it was found that up to a certain height the whole bottom of the barge was filled with inferior goods. The buyer now turned to the selling firm and believed that the matter would straightway be put to rights. This however did not happen. It was only after threatening to prosecute that the goods were taken back." The expert Heuser of Duisburg testifies: "At the time, Danish rye, Dutch rye, Turkish rye, full of weeds and dirt, neither capable of being ground nor of being delivered, were bought up, and sent on to Berlin. I asked Mr.— at the time: 'Do you want that to be delivered? Why, it is rubbish! You surely cannot deliver rubbish, no reasonable expert will call it good.' I received the following reply: 'Of course I shall deliver these goods. And if nothing else is possible, part of it will be called good now, and another part of it later on, and the rest at last. If the experts do not see anything else, they get used to such a quality.' On another occasion the 'bears' had hired most of the Berlin granaries. As the 'bulls,' on being 'notified' of the delivery of their goods, believed that as usual they would be allowed to lie in the granaries, their surprise was great when they suddenly learned that the use of the granaries was refused them. Naturally prices fell in accordance with the resultant cost of re-transportation. Such practices and occurrences could be endlessly related. We shall, however, turn aside from this, and, instead, give the reader a picture of fictitious dealing in grain according to the daily exchange reports, such as are published by the most trustworthy papers making a special study of this trade."

This "notification" system has not existed in England for years. The directors of the Settlement Houses have in its place adopted what is called a "ringing out" system, whereby it is "compulsory" that one contract of a given month is set against another contract of the same month between two members of the exchanges trading together. In this way some 90 per cent. of "future" contracts bought and sold for delivery for every month of the year are liquidated months before the period of delivery arrives. Consequently against such, no actual produce ever is or can be tendered, and each contract is reduced thereby to a simple gamble in the "prices" of commodities.

VI.

FICTITIOUS DEALING IN FUTURES ACCORDING TO DAILY REPORTS FROM THE EXCHANGES.

I CASUALLY select a number from the Berlin "Banking and Trade Gazette," a magazine under careful management and noted for its trustworthy information, and find in the month of September, 1894, the following reports:

September 1. It is believed that the leading firm among the "bears" will notify still more deliveries. The engagements of the so-called "crowd" are supposed to-day to be fulfilled. The only combatants left are the two leaders of the parties gambling.

Sept. 3. Impulses from abroad are lacking. The failure of a firm and compulsory sales on its account produced a bad disposition.

Sept. 4. The market opened firm. The "bears" are bringing up new grain in order to mix with rejected grain and thus make it deliverable. The "bears" continue selling. Other firms not generally reckoned as belonging to the "depreciation party" are doing the same with "fictitious" rye-futures. The excessive supply has produced a flat market.

Sept. 5. In spite of reports of frost in America and Australia, there is just as bad a disposition to-day as yesterday. Local firms are selling fictitious futures for long terms.

Sept. 7. Market firm on hearing of a rise in the United States, and of a better tendency in England.

Sept. 14. Exchange was flat on receipt of American reports.

Sept. 15. New York announces a flat market. The "bears" have the advantage over the "bulls" in that they can postpone the settlement of their engagements for a month.

Sept. 17. Rye shows an improvement. Local importers are seeking to prevent Russian grain lying in Hamburg from coming to Berlin. They have consequently sold to the "bulls" and covered themselves with futures. There is a superabundance of actual goods.

Sept. 20. Yesterday's flatness is still greater to-day. America quotes one cent lower.

Sept. 21. The disadvantages of the struggle between the "bulls" and "bears" are more perceptible. Goods brought here to be delivered prevent a recovery.

Sept. 22. The tendency has not improved. American quotations still lower. Prices show no improvement, although bad official crop reports have come in.

Sept. 29. (Settling-day.) Autumn deliveries end to-day. The "bulls" accepted the 21,000 tons offered. "Bears" offered 3,000 tons more than officially notified at prices beneath the average. Rye and wheat have declined 75 pfennige since yesterday. In the course of the month rye declined 7 marks, wheat 8-67 marks.

Let us take the month of June, 1895, from the same "Banking and Trade Gazette":

June 1. Tendency in America flat. New York fell $1\frac{1}{4}$ cts., $\frac{1}{4}$ ct. more "on the flags." Local "bears" cannot remain uninfluenced by American "bears." Wheat 2 marks, rye 1 mark lower than yesterday.

June 4. America firm. Disposition here also pretty firm.

June 5. The drop of $1\frac{1}{4}$ cents in America produced a bad disposition here. Wheat has dropped 2-50 marks, rye 2-25 marks.

June 6. America closed firmer. The local Exchange followed the American advance. Wheat, 2-50 marks, rye 1-25 marks higher.

June 7. America advances steadily. New York 2 cents, "on the flags" $\frac{1}{4}$ cent more, higher local sales favourably influenced. Wheat 1-50 marks, rye 1-75 marks higher.

June 11. New York $\frac{1}{4}$ cent, Chicago $1\frac{1}{4}$ cent lower. Followed here by wheat dropping 3-75 marks, and rye 3 marks.

June 12. America improved. Local wheat 2-25 marks, rye 1-75 marks higher.

June 13. New York 2 cents and more lower. Followed here by wheat dropping 1-25 marks, and rye 1 mark.

June 17. The intense dullness in America caused a decline here. Wheat 2 marks, rye 1 mark lower.

June 19. America weak, consequence being that the market here was also weak.

June 20. Continued decline in America. New York 2-2 $\frac{1}{2}$ cents lower, "on the flags" $\frac{1}{4}$ cent still lower. Followed here by a drop of wheat 2 marks, rye 1-50 marks.

June 21. Official reports anticipate a poor harvest. America and England steady. In spite of this, the "bears" win. Wheat 2 marks, rye 1-75 marks lower than yesterday.

June 25. The tendency in America is a better one. Wheat 1-25 marks, rye 1-25 marks lower.

June 26. New York and Chicago firm. Wheat and rye improved 75 pfennige here. In spite of the change in the weather and the backwardness of consumption.

June 29. (Settling-day.) Great drop in America. New York $1\frac{1}{4}$ cent lower. Local Exchange badly disposed. Wheat has declined in the month 9-75 marks, rye 12-10 marks.

From these reports of the Exchange one may see what a powerful influence is exerted upon the Berlin market by the fixation of prices of "futures" in the United States. The principal quotations for the fixing of grain prices are made in Liverpool, Chicago, and New York, and Berlin, &c., follows suit.¹ It will be right to see from American Exchange reports how the supply and demand of actual produce fix the price there, and how speculation—according to the teaching of the Professors of Political Economy—confines itself to calculating, with the help of a wise prevision, future prices. The reports used are taken from the best financial and commercial papers² in the United States for February, March, April, and May 1892.

¹ The United States Government official report on agricultural depression, submitted to the Senate in 1894, forcibly points out "that it is the price of 'Futures' ruling in Liverpool, England, which practically governs the value of the surplus of foreign crops, as well as to a large extent the value of home crops." Thus fictitious dealings in futures in England, and to a very large extent in America, obtain the complete mastery over prices throughout the world.

² The leading Liverpool daily commercial papers disclose a similar state of affairs on the produce exchanges of England. I will quote extracts from recent writings. "Daily Post," May 30, 1896—"In the cotton market, the liquidation, by arrangement, of May futures resulted in the usual collapse. The retirement of the larger operators created a panic amongst the small fry, that a general stampede resulted; that it demoralised London and Continental holders of futures; that the selling became wild and indiscriminate; that the closing out of May futures which were known to be 'long' depressed even new crops which were known to be 'short'; that the market, in point of fact, lost its head." "Daily Post," June 5 and 8, 1896—"The market has this week been as completely in the hands of the 'bears' as it was in October last in the hands of the 'bulls.' The most unscrupulous means were adopted to bring about the rise to 5s., and equally unscrupulous means have been employed to bring about the decline to 3s. 6d. for August and to 3s. 6d. for more distant positions of futures. The most mendacious reports have also been circulated in New York with regard to the condition of business and the rate of

"Inter-Ocean."—February 1. "The wheat market was controlled by the 'bears' from the opening to the close, and Partridge was particularly prominent. Foreigners were fair sellers here and in New York, but the largest offerings were by Partridge. He had sold a big line of 'puts,' and his selling was to get the price down and have the wheat 'put,' and at the close a large quantity was 'put' to him, enabling him to cover part of his (short) line!"

"Inter-Ocean."—March 1. "Wheat was erratic, and the operator who was able to catch all the turns was very lucky. Various explanations were given for the weakness and decline in the face of the liberal quantity of 'bull' news. The general impression was that the 'Cottrell' crowd in New York had filled the trade here with bullish news, and sold all day in such quantities as to weaken the market. After prices had declined 1 cent, prices rose slightly, but the continued pressure of sellers made it impossible to maintain prices. At about 90 cents Partridge became a free buyer, but even his purchases failed to check the downward course."

"New York Tribune."—March 2. "Wheat was unsettled yesterday, and prices ranged within comparatively small limits. The business was fairly active, but it was chiefly 'switching' over into the next months."

"Inter-Ocean."—March 6. "E. A. Bigelow & Co. bought in the 300,000 bushels of May wheat, sold on Friday, at 1 cent decline. The foreigners are trying to lift themselves by their boot-straps, and make poor headway. Partridge has made another big winning in wheat by the decline the past two days. He was heavily 'short,' having sold about 3,000,000 bushels on Thursday and Friday, and bought the most of it back on the break yesterday at a good profit. The crowd thought that the strong cables and the reports of foreign crops damage would scare him into covering, but instead he sold on the 'bulges' and has made a neat sum."

"Inter-Ocean."—March 8. "There is nothing in the present outlook to encourage a 'bull.' Partridge has made the situation so bearish that all the large local holders have 'unloaded,' and none of them dare buy any wheat. The market does not respond to 'bull' news the way it did some time ago, as the 'crowd' on the whole are so wrapped in the idea of lower prices that they cannot see any 'bull' news."

"Inter-Ocean."—March 14. "Partridge was doing all in his power to work prices lower, and at the same time strengthen his position as a 'short-seller.' He was the best seller at the opening, and on the early 'break' of three-fourths of a cent became the best buyer. These operations he repeated on each 'bulge' and 'break' all day. He was followed by a large element in the trade every time he turned a seller."

"Inter-Ocean."—March 18. "The showy trading in wheat was by Partridge who sold on the early 'bulge' but on the 'break' became a very heavy buyer, following the price down from 85 to 84½ cents and taking several hundred thousand bushels at each decline of an eighth of a cent, and during the day bought in over 3,000,000 bushels. The bulk of the crop bought in yesterday on the crop damage stories was abandoned after the price touched 85 cents, and made it very easy for the 'bears' to buy immense quantities without affecting the price."

A private Liverpool cable said: "We shall not advance prices of wheat unless America leads."

consumption in this country and on the Continent. This week, on several days, cable advices stated that one cause of the depression in New York was the receipt of unfavourable reports from Manchester. Whether these untruths are invented in New York or are sent out from this side is immaterial. They are circulated by people who know them to be untrue. Of course the recent 'bull' fiasco had no connection with the position of actual cotton on its own merits." I may remark the statistical position of cotton is the strongest for years.

"Chicago Herald."—April 7. "Wheat made a still further gain, this time of 1½ cents; and for the second day in succession the progress seemed to be in spite of rather than the result of the news."

"Chicago Tribune."—April 12. "The decline (in wheat) was greater than any one anticipated with the possible exception of Mr. Partridge. Partridge's actions were naturally watched with no little interest, and it was generally conceded that he 'scalped' the market very effectively. His early liberal selling around top prices helped to break the market."

Associated Press despatch from Chicago, April 11. "The world seemed to turn on its axis to-day for the sole benefit of one man—Edward Partridge of Chicago. After a day of wild excitement on 'Change, the famous plunger, impassive as a stone, stood on the floor of the Board-of-Trade receiving the congratulations of his brokers, informing him that he was richer by at least half a million dollars, and that, acting for him, they had 'pounded down' the price of wheat five cents on every bushel."

"From the high point on to the low figure Partridge makes five cents a bushel, it is supposed, out of his ten million bushels 'short line.'"

"Baltimore American," London cable.—April 13. "The grain markets here and on the continent have been strangely affected for the past two days by bogus European news, received by way of the United States."

"Inter-Ocean."—April 15. "The wheat-market disappointed the 'bulls,' who expected that prices would move upwards, as the majority of the influences were bullish. The bad weather was expected to have a pronounced effect, but the 'crowd' appeared to care little about the weather or the cables or crop reports so that local influences dominated prices. Partridge has done the past two days what the trade said he could not do this month—that is 'cover' his May wheat without causing a big 'bulge.' The 'longs' wanted to sell and he bought it."

"Chicago Herald."—April 19. Cable from Antwerp. "The wheat markets in Europe are more than dull. Europe will hardly become a free buyer again as long as prices are kept declining in America. However, should your markets show signs of firmness for several days in succession, then Europe is bound to follow. America will remain the main key to the world's wheat situation for some years to come."

"Chicago Herald."—May 3. "The 'bulls' had the news on wheat; the 'bears' had the market. About everything which last week was looked forward to as likely to help prices was realised, yet prices yielded rather than advanced."

Such is the expression of opinion of the majority of investigators of Exchange affairs on the causes *daily fixing the price of grain*. We see therein a brilliant confirmation of the views deduced from the systems in vogue since 1888—i.e. since the modern international fictitious dealing in grain futures was perfected and introduced, the price of grain has been entirely independent of the proportions between supply and demand of actual produce. This thoroughly reliable newspaper evidence, moreover, shows us that the great international speculating capitalists are without doubt responsible for this evil development. But in view of the importance which this factor bears to the whole condition of affairs, we must devote special attention to its discussion.

¹ Edwin Partridge was a type of the gambling speculator, enabled by these "future" systems to manipulate prices solely for their own personal advantage, regardless of the result to others. On every produce exchange in every country many such determined men (more or less) are to be found. Partridge died this year. The obituary notices given in Appendix may be of interest.

VII.

FICTITIOUS DEALING IN FUTURES AND GREAT CAPITALISTS.

FROM the foregoing example of fictitious dealing in wheat on the Berlin Exchange, we have seen how wheat in the form of contract-notes may be produced and offered in any desirable quantity in parcels of 50 tons, without at the same time causing the expenditure of a single penny of capital, from which comes the name "fictitious" dealing. *Fictitious dealings are such as are transacted merely for the sake of speculating on margins.* In our preceding example, the "bear" A, without investing a single penny, sells "wind" or "paper-wheat" to the extent of 50 tons, thereby winning 2,500 marks within four months. The buyer of these 50 tons of wheat, B, merely pays 25 marks brokerage, and stamp duty, 3 marks, or altogether 28 marks. And with these 28 marks, the business between A and B, involving wheat to the nominal value of 7,500 marks, is conducted. Similar relations exist in connection with all other commodities, the "future" sales of which are organised on the Exchanges. For coffee, for instance, the Liquidation Bank in Hamburg, which undertakes the guarantee for the fulfilment of contracts by both parties, buys or sells goods to the value of 80 to 90 marks against a deposit of 3 marks. Dealers in fictitious futures on the Exchanges such as abound to-day, make it their principle to deal in goods without possessing capital, and to invest in the business only enough money to cover the costs of transferring differences. The consequence is that the majority of those who own but little, obtain *pro tem.* the mastery over the business, i.e. the majority of those who have but little to lose and are therefore the most foolhardy.¹ This army of speculators then divides into two camps, into that of the "bulls" and that of the "bears," and unlimited gambling in margins then proceeds.

Now, from time to time, it happens that the general condition of the market allows one or the other party to make a great haul, provided sufficient capital for the overpowering of the market can be procured. A speculator well versed in the inner details of the market perceives the true state of affairs; he turns to a bank or to some great capitalist, endeavours to obtain his approval of his scheme and to obtain a credit from him of so many millions. The secretly and most cautiously prepared haul succeeds perhaps, and the great capitalist reaps a rich harvest. Should the scheme prove unsuccessful, it will be because money was not sufficiently provided, or because, for some reason or other, it was withdrawn before the decisive moment had arrived, or else that unexpectedly and suddenly it had made its influence felt in favour of the other party. All this lends to the modern fictitious dealing in futures its uneasy, untrustworthy, and incalculable character. No one can tell which party is being used as a mask by international great capitalists, in order to carry out one of their terrible predatory raids.

All those acquainted with fictitious dealing in futures are agreed in condemning it. Pepper says in his report to the Commission of the Senate in Washington: "No one knows how great is the power of the capital engaged

¹ The Inspector-general of Bankruptcy of the British Board of Trade, in his official report for 1896, says:—"It is alleged, and apparently with good grounds, that the operations of speculators in what are termed 'futures,' i.e. operations which are not based on actual deliveries of produce, but on mere contracts to deliver at some future date, and which are settled by the receipt of payment of 'differences,' have tended, by the unnatural competition they create, to depress the prices of commodities below their natural level, the actual holders of such commodities being powerless to contend against these purely speculative influences."

on this or that side." In the Exchanges Inquiry Commission, the expert Kochhann asserted: "Dealing in futures on the Exchanges has developed into a mere trade in values, in which all other factors in the fixing of prices have disappeared in order simply to give free scope to the credit or capital available for the payment of margins." Van Gülpen, one of the greatest coffee merchants, says in his excellent publication on "Dealing in Futures, and the Currency" (1896): "An influential broker goes to a few capitalists, seeks to persuade them of the justness of his opinions, and forms a so-called syndicate, which advances the necessary capital, and the broker manages the sales and purchases on the market for fictitious futures. *Long before the farmer can reap his products, he begins to sell futures.* When the price stood at 100 marks, he sold at 99, 98, 97, 96, 95 for future delivery. The manifold power of capital on the market for futures allows him to sell comparatively large quantities. At the right moment, by means of circulars, newspaper articles, telegrams, etc., he circulates his opinion concerning the sinking prices—of course with the necessary ornamentation. Each speculator seeks to get rid of his supplies and to re-sell his purchases. The price falls lower and lower. The broker awaits his time. A sufficiently great reduction of values having been achieved, he then begins carefully to cover his sales of futures. In this way, and without having seen any goods, he succeeds in earning enormous sums with a comparatively small capital." In another part of the same publication the same expert says: "*All articles that are dealt in for future delivery continue to remain at the lowest possible price.*" The capitalistic associations which have now become so customary exert such a powerful influence in buying and selling that at the first attack, with every article, they carry the market before them and can thereby force prices into any level they wish." And a third passage from van Gülpen's publication says but too truly: "There was a time when it was held to be a noble occupation to lurk for the merchants on the highway and to take their goods from them. Nowadays this is a crime. In this free play of forces the State has intervened on behalf of civilisation. *Nowadays the speculator in fictitious goods lurks for goods on their way from the producer to the consumer in order to violently break down their value and to enrich himself.*"

In a public "Petition against Trading in Futures in Foodstuffs," dated 1889, signed by the two wholesale firms, Franz Kathreiner's Successors in Munich, and Lensing and van Gülpen in Emmerich on the Rhine, is to be found, among other passages, the following: "By means of systematic and alternate sweatings of producers and consumers, the *working middle-class is losing more and more its power of resistance*, while the powers of the capitalist grow ever stronger and stronger and are abused more and more inconsistently." "The great capitalists, the chief elements on the Exchanges and their adherents,

¹ And yet there are leading men bold or ignorant enough to assert that these gambling systems are absolutely necessary in order that the trade of the country may be carried on. While, in the face of the condemnatory speech by Sir Courtenay Boyle, Permanent Secretary of the Board of Trade, on this question in September 1894, at the meeting of the Associated Chambers of Commerce, who said "Commercial gambling stands condemned by the common consent of all those who have any knowledge whatever of the subject. It needs no representation from anybody whatever to convince those who watch the progress of trade that commercial gambling is an evil and an unmitigated one," we find Lord Dudley, representing the Board of Trade, in his answer to Lord Stanley of Alderley in the House of Lords on May 1, 1896, asserting as the one reason for the Government not to interfere with what is the most illegitimate form of gambling in non-existing produce, that they are afraid of hampering legitimate speculation and trade. Why? What can possibly hamper legitimate trade and *bona fide* speculation more than the reckless unprincipled gambling here described, and which the Permanent Secretary of the Board of Trade himself so fully endorsed in his stringent remarks, and is further supported in his views by another high official of that Board, as is shown in foot notes on pages 28 and 40?

learned with an astounding rapidity to understand the use of the mechanism of speculation in futures, and discovered with an equal rapidity how to get the leadership into their own hands. Ever since then, there have been 'operations' in great style, millionaires undertake them, and the matadores of the Exchange in Paris, Berlin, London, &c., are interested in sugar and in all sorts of produce."

That, without the assistance of the great international capitalists, the greater operations on the market in futures are not possible, is evident from the following facts alone:

After the collapse of the noted copper ring¹ in 1889, by means of which the speculator Secrétan, backed up by Rothschild and consorts, forced up the price of copper in one year from 800 marks to 1,600 marks a ton, it came to light that not only immense supplies of actual goods had been hoarded up, but that by means of futures the whole production of copper for the following three years had been already bought up. In the following legal action of the Cape Copper Mining Company versus Rothschild in Paris, it was shown, according to the report of the Hamburg "Handelsblatt" of March 22, 1890, that Secrétan had pledged himself to the plaintiff to take over for three years, 5,750 tons a year at 1,400 marks a ton, but for every ton that would be delivered above this amount to pay only 860 marks.

The statement of the estate of the three Magdeburg sugar speculators, Rossner, Schraube, and Baumann and Maquet, who in six months sent up the price of sugar ten marks per 100 pounds, showed—according to the same Hamburg "Handelsblatt" of August 28, 1889—the presence of 160,000 cwts. of actual stored sugar and 240,000 cwts. of "futures," which had to be settled by cancelling with margins of 5 to 8 marks per cwt., in order that the fall in sugar should not be greater and more pernicious.

Charles W. Smith, in his evidence before the British Royal Commission on Agriculture, asserts, amongst numerous other examples, that a Liverpool broker, who was at the time President of the Produce Exchange, recently bought £2,000,000 worth of cotton "Futures," without thereby obtaining possession of a single pennyworth of actual goods. The sellers of these "fictitious" futures, themselves, did not think of delivering any. This immense gambling operation was naturally well-known, and everyone saw with dread the moment coming when this excess of "futures" would have to be re-sold. The smallest sinking of prices on the market would render it impossible for the broker, whose own wealth was scarcely worth mentioning, to settle his margins. The market price sank, the inevitable "smash" came, together with the bankruptcy of the gambler, and a general depreciation of cotton.

The co-operation of the great international capitalists has always to be taken into consideration whenever a domination of the market is intended. But it is also necessary that in this event a greater or less quantity of goods be bought at the same moment, necessitating more money than the customary operators usually possess. Under the guise of a perfectly honest transaction, and in the various forms of credit, capitalists advance this money for the command of the market, and in any result the interests of the capitalists are most beautifully guarded. The most important of these forms of credit is nowadays the so-called "contango" business, by which they advance money to the "bulls," selling them at the same time an equal amount of futures, thus

¹ In 1888, in London, copper was raised to 110l. per ton. In 1889, the manipulators having failed, prices fell to 77l. and subsequently, in a state of panic, to 39l. 10s. Numerous similar instances both for pig-iron, tin, and silver could be quoted. The latter commodity is dwelt upon by the author.

transferring the "bear's" goods from one prompt day to another, and enabling the latter to throw them on to the market in order to depress prices. In this latter case, should the goods drop in value, the capitalist is protected by the gain on the operator's margins. In bulling, the goods and the speculator's profits serve as double security. As soon, however, as the capitalist has reaped his profit, he withdraws from the position of a speculator in fictitious futures, and this is the main reason why, after every successful bulling operation, a great drop occurs between the end of the one month and the first day of the next, i.e. between evening and the next morning.

According to compilations in this matter made by Dr. Dade in the "Preussischen Jahrbücher," the following change in prices occurred on the Berlin Exchange:—

Between Oct. 31 and	Nov. 1, 1862	rye fell	32.25 m.
" Aug. 31 "	Sept. 1, '66	" "	53.25 "
" Nov. 30 "	Dec. 1, '67	" "	34.50 "
" June 30 "	July 1, '92	" "	15.50 "
" Aug. 31 "	Sept. 1, '67	wheat	57.39 "
" May 31 "	June 1, '72	" "	34.50 "
" Aug. 31 "	Sept. 1, '72	" "	57.75 "
" July 31 "	Aug. 1, '73	" "	44.25 "
" Aug. 31 "	Sept. 1, '74	" "	72.00 "
" July 31 "	Aug. 1, '80	" "	41.00 "
" " 31 "	" 1, '87	" "	21.25 "
" " 31 "	" 1, '90	" "	31.00 "
" " 31 "	" 1, '91	" "	27.25 "

The spinners of cotton yarn are quite right when, in their excellent memorial begging for the abolition of dealing in yarn futures (1894), they assert that the so-called "contango" has a most pernicious influence. "Contango business can only be carried on at high interest, otherwise no taker—i.e., the acceptor of the goods on the warrant—could be found. No one pays high interest unless compelled to. Only such are constrained to do so who have neither the intention nor the means of accepting the goods bought, and who speculate only in 'margins.' Now if such people have, according to their opinion, either won an insufficiently great 'margin' in their operation, or if they have miscalculated and do not wish to bear the momentary loss, they must sell their goods for the coming term to the capitalist, and straightway replace them for a future term. The difference between this sale price and purchase price is the 'contango interest.' The more distressed 'contango sellers' are, the more shy are 'contango buyers,' and the better they know how to look after their interests. The members of the Exchange doing such business, chiefly representatives of the great banks, have an exceedingly acute sensation of the peculiar condition of each speculator. If there is no cause for anxiety, they are satisfied with the customary $\frac{1}{4}$ per cent. a month or 6 per cent. a year, and no more. In the contrary case they demand higher interest, and a corresponding sinking of prices for the next month ensues. If, for instance, July is quoted at 417 $\frac{1}{2}$, but December at 430, and the capitalist is not satisfied with this difference, the operator must then agree with him on some basis of, say, 415 to 430, or even of 412 to 430. The next 'giver' can then, perhaps, only get his warrants accepted on a basis of 410 to 425, 427 $\frac{1}{2}$, and so on. Prices thus crumble away. It has also happened, for instance, that a rise in yarn went on parallel with some bulling on the Stock Exchange. The chances of winning on the Stock Exchange were sud-

denly greater. Capital was, therefore, suddenly withdrawn from the yarn 'contango' business. *The numerous unexpected sales that ensued, in conjunction with the innumerable sales of futures for October, 1894, produced a drop in prices which no expert in the trade would have thought at all possible.*"

Since the introduction of international fictitious dealing in futures on the markets of the world, i.e., since 1888, the days of local "corners" are past. According to Broomhall, the following wheat corners were formed in Chicago:—

May 1867: On the 18th prices had risen to 285 cents, but by settling day had fallen to 216 cents.

August 1871: Prices rose to 130 cents, but dropped back to 110½ cents on settling day.

August 1872: Wheat rose to 161 cents, then fell to 119.

May 1880: Prices rose from 112 to 119, and closed at 114 cents.

August 1881: Prices rose from 119 to 138 cents, and remained at this point till settling day.

1882: Corners in April, June, July, September.

June 1887: The noted Cincinnati ring cornered wheat. Prices rose from 80½ to 94½ cents. The speculation broke down and prices sank to 68 cents.

September 1888: Wheat rose from 89½ to 200 cents, at which level it remained till the close of the month.¹

Since 1891, the "bears" have been the complete masters of the grain market. Wheat and rye prices will not improve, in spite of the fact that in the current cereal year, according to Broomhall, there are 3,400,000 quarters of wheat and 600,000 quarters of rye short of the international demand. Speculative capital evidently does not yet find any reason for solving the present condition of the grain market. But, should matters remain as they now are, this solution of the grain market must come in the new shape of an "international corner" in grain.

The great international capitalists have already obtained the wheat-collecting trade of the producing districts of North America, uniformly organised, with the grain elevators almost entirely in their hands. The South Russian, the Indian and the Danubian grain trade has fallen into the hands of a few firms. *In most countries tillage is diminishing on account of the sinking of prices.* And if, after inclement weather, the deficiency of grain is still greater than to-day, or should war bring about complications, the grain supplies will then be suddenly discovered to be firmly held, and for four or five months grain prices will be incalculably high.

Charles W. Smith, in a lecture delivered before English Agricultural Societies in 1896, made the following remarks with regard to Great Britain in case of war:—

"I shall now briefly touch on another and even far more serious aspect of these systems as affecting the masses of this country. You are perfectly aware that consumers have not benefited to nearly the same extent in the price of their loaf as farmers have suffered in the gigantic depreciation of wheat of over 50 per cent. since 1891. The war crisis through which we have lately passed has clearly proved, that no matter how strong our Navy is, the position of the masses of our nation is unsound and dangerous, if their daily bread is not certain under all conditions. The position of the breadstuffs of this country under these international gambling systems in wheat and corn is in great danger in case of war, especially as it is asserted that owing to the custom of through bills of lading, such produce would be liable

¹ For particulars and result on prices of the attempted corners of 1891 and 1893, see foot note, p. 2.

to confiscation; for any syndicate, composed either of English, American, or Continental operators, have only to buy in the shape of 'futures' five to ten million quarters, spread over a period, say, of six months, and to demand delivery of same and refuse to re-sell, and starvation stares the masses of this country in the face. An enormous profit on such a transaction would be a certainty through the resulting 'corner' in our breadstuffs, because virtually all imports into this country are 'hedged' by 'futures,' sold short, representing only fictitious produce. To show you what the elevator gamblers in America will do, when they mean to make money at any price, I may mention that only last spring and summer they 'sealed up' their warehouses, which held some 30,000,000 bushels of wheat, thus causing an 'artificial scarcity,' by which means they starved the American millers and merchants out of grain, causing a rise in 'futures,' of which they held large quantities, of nearly 50 per cent. That was the origin of the rise of 8s. per quarter which took place last year, when, you remember, English wheat rose from the unwarrantable panic values that these very same men, combined with English operators, had previously artificially created in October 1894, viz., 17s. 6d. Gentlemen, in case of war (which Heaven forbid), if Her Majesty's Government were to double their present fleet, they could not prevent international gamblers from creating a similar 'artificial scarcity' of supplies in this country, and thus whenever it suited them of causing famine prices. To prove to you that such 'corners' are possible, let me refer to the Lancashire cotton industry. It witnessed during the years 1878 to 1890 no less than eight years of 'corners' with artificially high prices, which resulted in starving the cotton mills and bringing on short time averaging from four to fourteen weeks, brought about in all cases by foreigners—firstly, by two German Jews from America, Morris Ranger and Benjamin Newgass; secondly, by an American, named Runge, who came over for the purpose from Galveston; and, lastly, by a Dutchman, named Steenstand—backed up, I regret to say, by the most influential business firms in Liverpool, as well as by the leading bankers, both in this country and on the Continent: to do what? Why, to paralyse our Lancashire cotton industry, as well as to starve, in the shape of loss of wages, tens of thousands of operatives and their families, throwing them out of work by causing an 'artificial shortage' of the raw material, and compulsory short time in consequence. It was estimated the loss of profit to the Lancashire cotton industry during these years was fully 15,000,000. What in time of peace was done with a commodity like cotton, could be easily done in time of war with our breadstuffs."

No expert can deny that such an occurrence, highly dangerous as it is for the social peace of the most civilised nations, is being actually prepared, and that, in contradistinction to the short-sighted, time-serving politicians of the world, international capitalists know how to prepare their plundering expeditions a long time in advance, as is shown by the history of the world monopoly of *Petroleum*. It was already at the beginning of the sixties that John D. Rockefeller began to lay his plans. And only in 1895 were the finishing touches given to the world monopoly. Only those who have no intimate knowledge of these matters can smile at this as if at something harmless. *Those are the far-seeing ones who, like van Gilypen, in the midst of such transactions, did not hesitate to express his opinion that "the great international capitalists have in the bearing and bulling of fictitious dealings in futures the key to the mastery of the world."*

VIII.

HOW FICTITIOUS DEALING IN FUTURES FURTHERS THE INTERESTS OF AGRICULTURE.

WHEN being examined before the Committee of Inquiry into the Exchanges, the experts Henser of Duisburg, Danime, Kochhann, Riffel, Kühnemann, Rosenfeld, and Werner agreed unanimously that farmers' could not make use of dealings in futures such as they are organised on the exchanges, that they ought not to make use of them, and that they actually do not. The expert Danime said: "I cannot give better advice than this: were I a farmer I should not think of speculating on the Exchange. It is very natural that when one is drawn into a speculation, depending upon elements which one cannot rule, that one allows oneself to become preoccupied so as to lead to the neglect of one's own occupation. This has been so often experienced, that I can only advise anyone who has any other occupation than that of speculating on the Exchange to keep away from the latter." Kochhann said: "According to my experience it is better for the farmer when he seeks a connection with the corn-dealer in the next market town; he at any rate then has the advantage of successive deliveries." Kühnemann asserted: "*I fully agree with the opinion that the trade in futures is not necessary for the farmer, and undesirable for the producer. I do not think there is any record of a number of peasants clubbing together in order to sell 50 tons for future delivery.*" The expert Riffel maintained "that the farmer would on no account offer to sell his own produce for future delivery." Riffel further testified: "The products of the German farmer are generally better than are required by the regulations of the Berlin Exchange demand. Consequently, everyone pays him a relatively higher price. Should he, however, lay himself open to the possibility of having his goods declared non-deliverable, there is no limit to the loss which he may incur. I must admit that I do not know of any original owner having ever sold and delivered his produce on the Berlin Exchange." And the expert Werner declared "that on the Mannheim Exchange for futures not a single farmer had ever sold a single bag of wheat."

The time must surely have come when the *advocates of the present produce exchanges should tell us, in the interests of agriculture, of a single farmer who ever sold futures on the exchanges. Something else would be also highly desirable. The adulators of the trade in fictitious futures are always the same persons who from time to time reckon how few farmers are interested in seeing a rise in the price of wheat. Perhaps these gentlemen can some day calculate how many farmers there are in a position to make use of the regulations of the Exchange, and deliver at least five railway wagon-loads of rye or at least five railway wagon-loads of wheat, and who consider any smaller quantity as too unimportant for sale. Whatever may be the result of these calculations, none of them will justify the opinion that the conditions of delivery of the exchanges were drawn up with an eye to the advantages of the farmers.*

The same may be said in respect of the regulations affecting the quality of goods to be delivered. Theory and practice go hand in hand in their endeavours to produce better, more nearly perfect qualities. In this Germany has been extraordinarily successful. German seed-wheat is to-day the best in

¹ As the dealings in option contracts in Liverpool and London only extend to American and Californian grain, they are absolutely useless to English farmers as a means of trading.

the world. The Prussian War Office supplies its commissariat offices with an excellent work, enabling them to calculate the qualitative value of all supplies and to pay for them in accordance. *All this is a matter of complete indifference to the Exchange.* It simply prescribes: "Deliverable is wheat, when sound, dry, free from any musty smell, and weighing on an average 755 grams," or "rye, good, sound, dry, free from any musty smell, and weighing on an average 712 grams." According to the data of the Prussian War Office, as given in the oft-mentioned work on "Corn and Pulse," the weight of rye varies according to quality between 700 and 732 grams and more per litre, sorts weighing 708 and less being classed "beneath inferior middle." From the testimony of the beforementioned experts, we have learnt that among goods deliverable on the Berlin Exchange are to be found the most dreadful stuff, incapable of being either "ground or baked." All better sorts for "future" delivery in Berlin are not appraised at a penny more than this stuff. Grades of quality are unknown to the Exchange. All the endeavours and successes of science and of practical skill count as naught on the Exchange, on account of its definition of acceptability. And in spite of all this, the organs of the Exchange have the courage and impudence to advise the farmers to carry on a *more extensive and rational system of cultivation, as a remedy against their distress.* Let me now consider the way in which prices are made and fixed by means of the official quotation lists.

It is undoubtedly due to the inward nature of dealing in fictitious futures that it tends to lower prices. Fictitious dealing in futures begins with a fictitious sale. The seller is a "bear," who wins only when prices sink. As Charles W. Smith has with so much persuasion shown in his writings—in order to make bearing operations a success, the Exchange nowadays buys just sufficiently to fill the public with the idea of a rise. When once a sufficient number of "lamb" —as they are called on the Exchange—have given orders to "buy," the regular gamblers, who are the members of the Exchange, then start "selling futures." One of the leaders has procured the requisite money from the great banking-houses. And now the great haul begins. The capital of the "lamb" that were induced to play is lost, and *prices sink deeper than ever, the "bears" ruling supreme.*

The history of the German corn prices offers us a whole series of such examples, useful for the consideration of these matters. In 1885 our protective tariffs were raised to three marks, and the whole world believed that a corresponding rise in prices would occur inland. Thousands and thousands of orders to buy by means of margins for a rise were sent to Berlin firms from all over the country. Everyone wanted to gain something out of the increase in the price of wheat. Thereupon the "bears" simply drew in their margins, and for a time the cheapest market in middle Europe was Berlin. Exactly the same thing occurred in 1887. And at the conclusion of our treaties of commerce, as it was thought abroad that better prices would obtain, the Exchanges in Vienna and Budapest first robbed the "lamb" of their money, whilst at the same time the Berlin Exchange zealously followed their example, with the result that finally on both sides of the customs' line prices were lower than ever. *But the current harvest year offers in this respect a sad spectacle.* At first, according to all Exchange reports, it was estimated that the world's wheat harvest for 1895-96 would be inferior by twenty million quarters to that of 1894-95, i.e. by almost three times the amount of the greatest export from Argentine. Even now Broomhall still estimates the inferiority of the yield at over nine million quarters. *But prices will not rise.* That is the condition which the American papers laconically describe with

the words: "the news favoured the 'bulls,' but the market belonged to the 'bears.'"
It is as though some impalpable demonic power wished to prevent the price of corn from ever rising. This pernicious power is that of the gambling with margins in future contracts.¹

That the gambling with margins dominates the fixing of prices is evident to every unbiased mind, if merely from the fact that the greater business dominates the smaller one. But when it is considered how much theoretical superficial criticism of the exchanges there is, it is important to be able to state expressly that, for instance, the *Chamber of Commerce in Hamburg*, a body whose knowledge of the matter and whose careful weighing of their utterances can be denied by no one, is of exactly the same opinion. In their memorial in favour of dealing in futures in coffee, of March 1889, may be read, on pages 3, 4: "The influence in 'shaping' the market which the trade in futures exerts has shown itself in the short time that this trade in futures has existed. That the price of coffee to consumers has been permanently fixed by dealing in futures is most decidedly a debatable matter. On the contrary, the business in futures rather tends to lower than to heighten prices." The same principle follows, however, from the fact, that the trade nowadays gives its full attention to the prices of futures. Daily, the price of futures is borne by the telegraph to all points of the compass. "1½ ct. lower," "¼ ct. higher," "3s. 6d. lower," "2s. lower," "¼ fl. higher"—thus do the Exchange telegrams run. The whole interest attaches to the fluctuations in the "difference of prices." Nobody concerns himself about the price of spot goods. The speculation in margins dominates the market. And the upshot of the speculation in margins regulates the prices year in year out, without interruption.

Taking two months most casually, namely September 1894 and June 1895, in the quotation list of the Berlin Exchange, and comparing day by day the gambling successes of the "bulls" and of the "bears," I find that in September 1894, with wheat, the "bulls" won six times and the "bears" sixteen times; with rye, the "bulls" won five times and the "bears" seventeen times. And when the separate figures of these twenty-two days are divided into the corresponding plus and minus, I find that on rye there was a loss of 9 marks, on wheat one of 7-25 marks. And when I then compare the prices of wheat and of rye at the beginning and at the end of the month, I find that wheat fell from 144-42 to 135-50 marks a ton, whilst rye fell from 124-88 to 117-68 marks. In June 1895 I again count up for rye sixteen successes of the "bears" and but six successes of the "bulls"; for wheat, fourteen "bear" successes and seven "bull" successes. And a calculation of the differences in prices shows a sinking in the price of wheat amounting to 9-75 marks, and of rye to 12-10 marks. So long as the "bears" so disproportionately gain the upper hand, events may be what they may, the prices of wheat must sink even lower. And the "bears" will remain the victors so long as the international capitalists do not think the moment arrived for the foundation of an international "corner" to violently force prices up. Till now, however, agricultural distress may be in a great part ascribed to the sinking of corn prices, due to dealing in fictitious futures. Another more noticeable sinking of corn prices

¹ Generally called in America and in England, gambling in "differences,"—i.e. in the daily fluctuations of prices. Years ago the custom for outside speculators was to pay to members of the produce exchanges "margins" in "future" operations. This has ceased to exist since the introduction of the daily settlement. Consequently, since 1888, all outside and inside operations are based on the daily prices fixed by the Settlement Committee, and "differences" due on that settlement have to be paid at once. It is these official quotations of "futures," representing non-existing produce, which are wired all over the world as the values ruling on the day, and govern the prices of the actual commodity in every part.

under the influence of the exchanges however exists, and this is to be found in the difference existing between spot prices and the so-called settling prices.

The point of departure for this consideration is and remains the principle, that the speculation in margins necessarily rules the market value of the actual produce, and the whole attention of trade and of the Exchange is consequently concentrated on dealings in futures. For example, in a speculation in margins, let us say, the seller has according to regulations to compulsorily settle, the liabilities are then fixed by the so-called settlement price, i.e. "the officially fixed average price of the preceding market-day" (§ 13 of the Berlin regulations), in other words, according to the day's middle price for futures for the current month. Now, this settlement price refers to deliverable goods, to rubbish that is capable of being neither "ground nor baked." The worst quality of German goods brought on to the market will in the worst case be identical with these deliverable goods, to which the settlement price applies—as a rule, it will be more or less above them. In looking at the spot prices on the Berlin quotation lists, it is evident that the prices given "from — to —" refer to the graduations according to quality, and that consequently the lowest quality of spot goods is almost exactly identical with the goods which the Berlin Exchange still considers deliverable. If the qualities at the same place are the same, then at the same time the prices should also be the same. The settlement price should consequently be almost identical with that of the lowest quality of spot goods.

For a number of months I have calculated the daily difference between these two prices, namely, for the months of April, May, September, October, November and December 1891, as well as for April, May, September, October, November, and December 1894, and finally for February and March 1896. With wheat and rye the differences are exclusively in disfavour of spot goods, and that to an almost incredible extent. In April 1891 the differences oscillated chiefly between 20 and 28 marks per ton of wheat. In May they rose to 46, 47, and 48 marks! In the months of September, October, November and December they fluctuated between 3 and 11 marks. For rye, the differences in disfavour of spot goods fluctuated in the spring months between 3 and 16 marks, for the autumn months between 6 and 28 marks, deliveries between 9 and 22 marks forming almost the majority. In the spring months of 1894, the spot price of rye was on an average 7 to 8 marks and of wheat 6 to 7 marks below the settlement price; in the autumn months and to these differences amounted to between 10 and 15 marks for wheat and to between 3 and 16 marks for rye. In February and March 1896 these differences fluctuated between 5 and 10 marks for wheat, and 2 and 5 marks for rye. The lowering of the price of spot goods as compared with the settlement price for futures seems therefore to have recently diminished, although it has by no means entirely disappeared.

Now I made a point of inquiring of thoroughly trustworthy persons, well acquainted with events on the Exchange, the prices at which various millers had bought from dealers, and at what prices dealers had bought or sold actual goods to one another, and in all these cases prices were named which

¹ The official fixing of prices for the settlement differs on all exchanges. On the Continent for sugar, wool, wheat, coffee, grain, &c., they are generally "monthly" settlements; whereas in America and in England the settlement for wheat and maize is daily. In Liverpool, for cotton, it is weekly. In beetroot sugar, &c., it is on a certain variation of price. The question of the settlement forms a most important feature in connection with the inner working of the systems in the United States and in England. The oftener the terms of settlement are, the stronger position the "bears" are in. Hence the fact of a daily settlement in wheat is a potent factor favouring the operations of "bears."

confirmed me in the opinion that the prices for spot goods as given in the *Berlin quotation lists* are most unduly reduced.¹ I do not wish to imply that the said persons were actuated by malevolent intentions. But in studying the relations more closely the impression arises that the said brokers do not think it really worth the trouble to note the price of spot goods with the necessary trustworthiness. But it is just in the interests of agriculture that spot goods deserve to be given this amount of attention. If a farmer in the provinces sells his goods, the dealer in fixing the price bases his calculations upon the price of spot goods as given in the quotation lists. The settlement price does not for a moment come into consideration. But after the dealers have concluded their business, we find ourselves faced by exchange practices which have resulted in a disadvantage to the farmer amounting to 48 marks a ton.

This negligence in fixing the prices of corn, such as are circulated by the newspapers, is however by no means confined to the *Berlin market*. On March 2, 1896, for instance, the lowest quotation for rye of average quality at Königsberg was at 118 and for oats at 113 to 114 marks a ton. This was also on a level with the "settlement prices" in Berlin and elsewhere, and on this day wholesale dealers dealt at these rates. In the newspapers however could be read, Königsberg, market report: rye, 108-50 to 109-50; oats, 100 to 105 marks. Further, for this March 2, 1896, it is stated that 41 waggon-loads of home wheat were brought to the market. So that it is probable, on this one day, that farmers were paid for 41 waggons of corn at 9 to 13 marks a ton beneath the market price.

Taking all in all, one can safely say that the fictitious dealing in futures on the Exchange is decidedly injurious to the just interests of agriculture, not only as regards the conditions it sets up concerning quantity and quality, but especially in making and fixing prices.

IX.

HOW FICTITIOUS DEALING IN FUTURES FURTHERS THE INTERESTS OF INDUSTRY AND COMMERCE.

How about the interests of industry and commerce? Does fictitious dealing in futures in any way further them? Let us listen to the representatives of industry and commerce themselves.

The petition issued in 1889 under the title "A Petition against trading in futures in foodstuffs and indispensable objects of consumption," by the two wholesale coffee firms, Franz Katreiner's successors in Munich and Lensing and van Gülpen in Emmerich-on-the-Rhine, contains the following assertions: "It can no longer be disputed that trading in futures exerts a one-sided, artificial influence on the price of foodstuffs and articles of consumption, for it will drive the price up unnaturally high to-day, to the prejudice of the consumer, in order to depress it just as unnaturally to-morrow, to the prejudice of the producer and of the merchant." "The example of a few winners assists the impulse to work in growing circles, and promotes the thirst for idle speculation on 'Change in a way that grows ever more serious.'" "What

¹ The personal inclination to reduce spot prices must always be very great, considering that 95 per cent. of the "bear" operations emanate from the members of the exchanges, who are thereby interested, as a rule, in a decline of prices.

has happened, and what events have occurred in the last ten years, to make it necessary to organise on the Exchange time bargains up to twelve months ahead, in the most various articles, such as in silk, wool, coffee, sugar, cotton, tea, &c.? Is it the great wholesale firms that, in spite of the enormous development of the means of transport and communication, find themselves compelled to begin thinking of filling their stores a full year ahead, and to buy to-day goods that they will sell some eleven or twelve months later?"

"Where business power has been replaced by a blind gambling with luck and margins, where the most thorough knowledge and experience have become so much superfluous ballast for dealing in futures on the Exchange, there can be no doubt concerning the utility or harmfulness of this so highly praised innovation." "The mere signing of a contract form now suffices to make any petty shopkeeper, butcher or baker, or, as is maliciously whispered, any concubine, the 'buyer' or 'seller' of 500 sacks of good average Santos coffee, or of any article of daily want which till this time had called for the most thorough knowledge of the expert, the most careful sorting and examining of the various sorts, as well as the tedious founding and retaining of a market for the sale of these goods by the professional merchant. The fundamental principles of commerce, that the merchant armed with knowledge and experience should be the conscientious mediator between the producer and the consumer—this principle has been cast aside by the dealer in futures, who knowing nothing refuses to work. In spite of this, the gambling trade grows ever greater, ever greater circles of honest and dishonest speculators turn to it, bent upon trying their luck with the contract-note. Untold livelihoods are thereby destroyed. But the longing to grow rich without working, by gambling, induces many more to sacrifice money and property, name, happiness, and honour upon the altar of the temple of Fortune." "The value of persevering industry, the value of work, of knowledge and experience, all cease to be of value as a means of earning a livelihood, in proportion as the amount of gambling with the contract-note increases." "The plan is now laid down. The mechanism now starts work with any article, as soon as the necessary manipulator and in the requisite financial support have been found to lead the concern in the right direction, for besides the mechanism there is but the omnipotence of money and of credit that decides success or failure in the market in futures."

The greatest houses and those of the best standing in the corn trade in London have, so far, kept away from the trade in corn futures.

Heuser, of Duisburg, the greatest dealer in actual corn in Germany, asserted before the Committee of Inquiry on Exchanges, "that he had only bought 'futures' on the Berlin market when spot prices showed a tendency to decline, and when at the time he held cargoes of foreign grain. These purchases of futures being solely made with the view of strengthening the 'future' market in order that he might resell his cargoes at a profit. He had never made any business in margins on actual goods." Heuser also laid stress on the fact that he never entered into business with any dealer or miller whom he knew to deal in futures in Berlin, because of the uncertainty in how short a time such a man might become bankrupt. He was often in Antwerp, where only actual goods were dealt in, and where dealers seemed to get along very well. Those, however, who in America dealt in futures, such as Vandertaelen, Janssen, Debrassin, &c., had become insolvent."

¹ To these few names could be added thousands in Great Britain alone. It is one of the worst features of future gambling that creditors invariably compound with defaulting speculators, in order to avoid publicity of the systems, and that even when fraudulent and swindling transactions have come to light, the tendency is to screen crime, and to avoid the Bankruptcy

The second largest actual corn-dealer in Germany, Hirsch, of Mannheim, informed the Committee of Inquiry on Exchanges that his firm had never done any business in futures.

Breuninger, partner in the firm, Geist and Breuninger, of Munich, told this Commission:—"Dealing in futures is obnoxious, because their immense sales can easily cause a market to be either flooded with goods, or to be deprived of an undesirable quantity of them. Most violent fluctuations in prices may thereby arise, which may be materially increased by a shutting-up of such goods. I have heard many complaints concerning the quality of the goods deliverable on the Berlin Exchange. In Munich we have no exchange. A bargain is only closed after samples have been submitted. Neither have we any statutes for an exchange, but sell and buy according to samples on time bargains, mostly for a short time."

Even Sobernheim, of Berlin, had to affirm that there are in Berlin a great number of corn dealers that do not transact any business in futures on the Exchange.

The following testimony of experts taken from the report of the Committee of Inquiry on Exchanges shows us the attitude of the milling and baking trades towards fictitious trading in futures:—

Expert Bauriedel.—This is the opinion of one of the greatest millers of Munich, Mr. Meyer: "I can only describe business in futures as objectionable and highly injurious for our milling industry, for dealing in futures renders an accurate opinion of the conditions of the market impossible. The American exchanges show us even more clearly than do the exchanges in Berlin, Vienna, and Budapest what outgrowths this dealing in futures can produce, and what prices it can bring about. For our trade, it is best when we can draw our supply regularly, but only lay in stores for a short time ahead. And far better is it for our business when we can adhere to such a principle for our sales. It is for us most disadvantageous when our customers, who altogether lack mercantile training, are urged to indulge in speculation and in time bargains, for in this case it is always the purveyor who gets the worst of the bargain when the buyer enters into unremunerative contracts. I think that we Bavarian millers get along worse with time bargains than we should without."

I have before me the same opinions, coming from one of the greatest houses in Regensburg, the firm of Hammerschied's son-in-law: "Time and margin bargains must be difficult of being entered upon by small millers. In this case the small miller cannot compete with the great ones. Time bargains induce the baker to buy beyond his requirements. Of course, he thereby has a disadvantage. Individuals may thereby have an advantage. But in our part of the country the disadvantages are considerable, especially on account of the fluctuations in price, which have had a very injurious influence on our customers in the baking trade. Owing to continual fluctuations we have already lost much money, and these fluctuations are chiefly due to the dealing in futures. According to the information that I gathered

or other court, leaving the gambling defaulter free to resume his operations. The aggregate amount of these unpublished liabilities must be tens of millions. The British Inspector-General of Bankruptcy, in his official report of 1895, remarks strongly on these trading failures and their effect on the prices of commodities, concluding by saying "The prices of commodities are thus largely determined not by the natural laws of supply and demand, but by the action of a comparatively few reckless competitors who have nothing to lose, but everything to gain by carrying on business transactions even at a loss." I may here remark, that all "future" transactions must be compulsory liquidated in the open market, whatever the loss may be, while on the failure of a member of an Exchange it is compulsory that his contracts be liquidated at once.

from the most important of my fellow-tradersmen, I must say that *there is no need for time bargains in our milling trade*. On the contrary, the *dealing in futures exerts a very noxious influence on our business*, for those in the flour trade who deal in futures continually, and, owing to the speculation on the Berlin Exchange, face us as competitors in South Germany."

"In the conditions of delivery drawn up on the Exchange I never found any clause to the effect that the goods to be delivered shall be capable of being 'ground and baked.' But for the miller it is a most important matter that his goods are above all capable of being baked. It is only the great mills that can work the inferior mixture that passes in Berlin as deliverable goods."

Expert Werner: "Our mills grind wheat chiefly. The goods, however, which are generally delivered as wheat sold on the Exchange are not of the quality desired for grinding by our mills. If a miller bought a half or two-thirds of his requirements on 'Change, he would find it impossible to grind such flour as our bakers require. The South German millers will certainly all be of my opinion and not appreciate too highly the value of time bargains. Time bargains being so easily closed, without payments on account, without costs, the baker can easily be moved to buy flour for several months ahead. At the time of the drop in prices which we had last year, bakers had to accept delivery of flour on which there was a loss up to eight marks a sack."

"I therefore think it an evil to contract for delivery several months ahead. Of the 36,000 German millers, but few will make use of time bargains in order to be certain of delivery in the future."

The North German millers also have nothing but complaints against the Berlin trade in corn futures.

A recognised authority in milling, F. W. Meyer, of Hamelin, owner of the great mills on the Weser, says in an article of the Cologne "Zeitung" of October 7, 1895: "No dealer or miller will ever sign a contract for the delivery of wheat or rye without specifying the origin of the deliverable goods, for it is the origin and the sort of a seed that fix its quality. All contracts for the delivery of actual wheat or rye contain specifications concerning the origin of the corn. For instance, in contracts for rye, not merely is the country of its origin specified—no, much more definite districts are specified as the place of production. Contracts are made for Holstein, Altmark, East Prussian rye, for St. Petersburg, Odessa, Taganrog, Nicolajew shipments, in Moldavian, Roumanian, and Bulgarian." And for practical purposes such specifications are unavoidable necessities. But the Berlin Exchange concerns itself but little about such differences or about the demands of the millers. With rye it is everything so long as it is good, dry, sound, free from the smell of must, and weighing on an average 712 grams a litre! The rye may come from anywhere and be made up of any amount of mixtures. On this account the Silesian millers have recently petitioned the *Seniors of the Berlin Chamber of Commerce* to order that all sorts of rye may not be mixed together, but that every sort must be sold separately, and that the Berlin Exchange should subordinate itself to the interests of the German corn trade, German agriculture and German milling, instead of, as nowadays, dominating them, and disregarding their just demands.

In the memorial of the *cotton yarn spinners against the time bargains in cotton yarn*,¹ several pages are devoted to the historical development of the

¹ In this country there is no system of gambling in cotton yarn futures. But, since 1882, enormous gambling has taken place by international spinners and manufacturers in American cotton futures in Liverpool. I brought this to the notice of Sir W. Houldsworth, M.P., Mr. Isaac Hoyle, M.P., and other prominent Lancashire members between 1884-86, as a cause of the losses and ruin to the British cotton industry.

war for life which the great manufacturers have had to fight, up till now in vain, against the fictitious trade in futures. The international petition of January 2, 1895, to the German Government on behalf of the German, Austrian, Russian, Swiss, and French wool spinners, regarding the suppression of the "future" markets for "fictitious" wool at Leipzig and other continental towns, also confirm these views. These commercial bodies also petitioned the respective authorities of the German Empire to enter into negotiations with the Governments of the French Republic and the kingdom of Belgium, pointing out in their address, "*That the whole of the woollen textile industry since, and in consequence of the institution of futures, has suffered severely, and must be exposed in an increasing degree to ever-recurring danger and injury, and also that their industries had developed satisfactorily up to the time that future markets were inaugurated.*"¹ We have here clear proofs that the fictitious trading in futures exerts no other influence on all branches of industry than a destructive one. But we also learn from these memorials how great is the assistance which it receives from the great international capitalists and from the great banks.

And thus we can only agree with van Gülpen, the wholesale coffee-dealer, who in his latest book on dealing in futures, closes his preface with the words: "It has now become the duty of the productive workers in agriculture, in industry, and in actual commerce, to strive for legislative reforms which will as far as possible control or abolish the trading in futures which is so detrimental to their interests."

Unwillingly one asks oneself the question: *If agriculture, industry, and trade have no interest in keeping up fictitious dealing in wheat, who then has?* It is important for the judgment of the whole question to give an account of those who have.

Above all others, the great international capitalists are interested in the duration of the fictitious trade in futures; for, as van Gülpen rightly observes, it is in the ebb and flood of speculations in futures that the key to the dominion of the world is to be found. *In spite of all reason, it falls in at present with the plans of these powers to be "bears."* But the day is not far off when a violent bulling with all its horrors will be here. And then the great capitalists will again at one swoop add millions to their already vast fortunes. Moreover, the banks, credit houses, and the great capitalists are further interested in fictitious dealing in futures on account of the contango business. According to circumstances they can, through it, earn ten, twelve, and more per cent. a year. Those goods are backed up that can bear the greatest contango

¹ To support the above International Wool Petition, the London Colonial Wool Brokers' Association unanimously passed the following resolution last year:—"That in the opinion of the London Colonial Wool Brokers' Association the effects of the future markets are prejudicial alike to the interests of producers and consumers, and affect adversely the entire woollen industry." Further, the South Australian Parliament proposed, in December 1894, the following resolution:—"That in the opinion of this House, the Government should take immediate steps to urge upon the Imperial Government to legislate, declaring it illegal to deal in 'options and futures' except when produce, metals, or goods change hands." Buxton Ronald & Co., a leading London firm of wool brokers, in their circular of June 9, 1896, dwell fully upon the recent artificial decline in wool. I give extracts: "The question of mere gambling in produce raises an issue of the first importance. In practice, an unlimited system of 'futures' has been found to be detrimental to the first producers, whose interests are swamped by transactions in imaginary produce, and operating as it does as a constant menace to the consumers. In many leading articles of commerce, in order to subvert the plans of the speculator, the year has become divided into two parts, during one, and the longer of which, every endeavour is made to depress values. The course of colonial wool during the current half-year has furnished a conspicuous object-lesson of such devious ways and methods. Towards the end of March was opened up another 'bear' account, which is not yet closed." I may here remark, that while Australian and other foreign wool is thus artificially depressed, so also is the price of our English wool affected.

interests. The others are left alone. If the price of the latter should decline to the point of valuelessness, would the great banks mind? And, finally, the great capitalists are the natural partners and owners of those liquidation and settlement banks that are devoted to the fictitious trade in futures. What the great capitalists can earn in this way is shown in the excellent memorial of the cotton yarn spinners for 1890, 1891, and 1892. According to it, the yearly dividends were respectively 38, 31, and 23 per cent., between which percentages amounting respectively to 37,000, 29,000, and 22,000 marks were paid out to the directors and managing boards. *In all these relations it can very plainly be seen and understood that the great capitalists exert the whole of their enormous influence to retain fictitious dealings in futures.*

Furthermore, those corn-dealers are interested who do not wish to take upon themselves the trouble of seeking customers, and of introducing to consumers, at the cost of certain labour, the corn they have bought abroad. In most instances these corn dealers have never had any customers. *They therefore do not import according to the wants of the home market.* They simply have offers made them from abroad in order that, according to the quotations of futures at the moment on the Exchange, they may find out whether they can quickly buy a steamer of wheat or rye in Odessa or elsewhere, and instantly re-sell at a profit on the Exchange. Do prices slightly improve, straightway the steamer's cargo is thrown on to the market. Do prices decline, large quantities of fictitious wheat or rye are sold. And if the profit arising out of this "bear" speculation be not realised before the coming term of delivery has been reached, a second cargo or more will be thrown on to the market. The "bears" will once more have won, and the above-mentioned corn-dealer will, between 12 and 2 o'clock, have obtained a profit for which the honest dealer in actual produce, dependent upon customers, would have worked hard from early morning till evening. *Thus, for these corn importers without customers, the impersonal Exchange is to them an indispensable market. Were it not for the existence of the "future" exchanges, they would either have themselves to keep their imported corn or else only be able to sell it at a loss.*¹

¹ These remarks are specially applicable to Great Britain, as 80 per cent. of the home importers and foreign exporters of grain into this country, whether from Argentina, India, Russia, America, California, &c., base their transactions on the basis of "futures," sold either in America, the Continent, or in this country, as a "hedge" against this foreign produce, thus absolutely protecting them from any loss in case of a decline in the prices of the actual produce. This means that eighty out of every hundred importers and exporters are compulsory sellers of "future" contracts representing non-existing produce, and, in consequence, are more interested in a decline than in an advance of prices. Lindbom, one of the oldest and most influential members of the Chicago Board of Trade, in his report of December 1895 remarks: "It is considered almost uncommercial to have any grain that is not hedged or sold against by futures. We are not satisfied to store grain in the shape of premiums to the 'bears' at home, but we pay it to the 'bears' in England, France, Argentina, India, and Russia, who sell short here and have absolutely no idea of delivering any grain in Chicago." With regard to the basis of importation of cotton into this country, 85 per cent. of the total imported is based on similar artificial systems, viz. by selling "American cotton futures" in America, Liverpool, or on the Continent, whichever market carries the biggest premium for distant futures. Hence 80 and 95 per cent. of the "bear" selling in wheat and cotton respectively emanate, as far as this country is concerned, from importers and exporters. It is the artificial nature of these transactions, quite irrespective of home requirements, in connection with the basis of importing foreign produce, which places the "bears" in a superior financial position over the "bulls" with regard to the settlement. It is for this reason that the latter operators, owing to continued yearly losses, have been gradually but surely decreasing numerically since 1890, leaving the international "bears" victorious, and accounts sufficiently for the greater part of the gigantic depreciation of between 50 and 60 per cent. witnessed between that year and the end of 1894 in all the leading commodities under the option systems. The cause of the panic from 1890 to 1894 is described by the Liverpool "Daily Post" of June 8, 1896, with regard to the present panic in cotton futures: "A sharp decline always demoralises nervous 'bulls.' Every fall begets another fall, and the

The great millers, with their establishments in the Exchange cities, have also an interest in the continuance of fictitious dealing in futures. The victory of a powerful bearing, say in Berlin for example, makes it the cheapest market in the country, and the millers buy there cheap. Does an energetic bulling occur, the bulls get rid of their inconvenient stocks by underhand sales to the millers, at prices considerably beneath those of the quotation lists. In this case an exchange of "future" purchases against goods often occurs. And in the event of the great Berlin millers being dissatisfied with the goods offered them, it has become the practice, at the best opportunity, to exchange later on the bad articles for good. All this shows us clearly that the existence of the speculation in futures brings many advantages to the Berlin millers.

Finally, the brokers are interested in the continuance of fictitious sales of futures, for every contract brings them their twenty-five marks brokerage. Besides these, there are a large number of lazy speculators who, with as little trouble as possible, and in the shortest time, would like to earn as much money as possible, *a wish that but seldom becomes realised*. Of the "professional" speculators scarcely a single one has died rich. Whereas, since the eighties, most of these "bulls" have died broken-hearted, and many ended their days in lunatic asylums. Such are the various groups of individuals who are interested in the continuance of fictitious dealing in futures.

X.

FICTITIOUS DEALING IN FUTURES, AND THE REPRESENTATIVES OF SCIENCE.

On the initiative of the statistician Engel, Professor G. Cohn, in his day, published a statistical research: "The speculative operations in the Berlin rye trade from 1850 to 1867."¹ Cohn is, in this publication, convinced that the time and margin bargains have exerted a beneficial influence upon the economical condition of our country, owing to the tendency they have to level prices, and to the fact that speculators show an increasing intelligence and discernment in anticipating the development of prices. As a proof of

movement goes on until the last timid or financially feeble 'bull' is sold out. The 'bears' naturally avail themselves of the panic amongst the 'bulls' by doing their best to increase the general confusion, and they are not particularly scrupulous about the methods or the means by which they seek to intensify the troubles of the disorganised 'bull' crowd." I may remark it was only when the unwarranted bed-rock prices of 1893 and 1894 were reached that the professional international "bears" turned "bulls," and arrested the panic. So history will again repeat itself in the present cotton panic when these illegitimate gamblers think these bed-rock prices have again been reached, in order to manipulate prices for their own advantage. Meanwhile, since last October, millions have been lost and paid into the Liverpool Clearing House by the international "bulls," while the producers of all growths of cotton have been robbed to the extent of 35 per cent. of their lawful market prices during almost the entire season.

¹ The author might also have included the tens of thousands interested, directly or indirectly, in Stock Exchange gambling, company promoting, and other means of living on the "public" of a kindred nature, who naturally unite to oppose any inquiry into fictitious "future" gambling in produce, for fear that the exposure might extend further and embrace their own employment. The sooner these individuals are also exposed the better it will be for the prosperity, both financially and otherwise, of the vast majority residing in this and other countries.

² The opinions expressed in all such works written prior to 1883, under the present system of fictitious dealing in grain futures, have been rendered obsolete, for, as the author rightly points out later on in this chapter, it is only since the year 1888 that they have become of an international character, and a complete uniform organisation extending all over the world.

this, Professor Cohn has for the several years compared the prices which were quoted for autumn delivery in the spring with the prices that actually obtained in the autumn, and, *vice versa*, the autumn quotations for spring deliveries with the prices ruling in the spring. The result shows that the extremes of mistakes, by which is understood the difference between the prescribed price of futures and their actually realised price, grows ever smaller. Cohn's pupil, Moritz Kantorowicz, then continued these researches down to 1890, and thereby confirmed that, as a matter of fact, the oscillations of prices grow smaller when compared with the oscillations that occurred in the preceding centuries. Kantorowicz has even been happy enough to discover one case, in which speculation was able to guess beforehand exactly the price that later prevailed!!

Owing to the antiquated statements of the free trader Michaelis, the conviction has crept into scientific circles that fictitious dealing in futures permits great capitalists to take part in the trade of commodities, a matter of the greatest necessity when one considers how very important the trade has recently grown, for instance, in corn.

The most remarkable contribution to the criticism of the Corn Exchanges is that of Professor J. Conrad, in the "Year-Book of Political Economy and Statistics" for 1895.

After an introductory praise of the beforementioned "valuable researches" of Cohn and Kantorowicz, he commences his work by examining the accuracy of the statement often made by agriculturists, that "prices are depressed by speculation just at the time when the farmer is compelled to sell his yield, *i.e.* in the months closely following the crop, whereas they are raised in the last months of the harvest year, at the time when the farmer no longer has any stocks." Conrad then examines this reproach in connection with the statistics of spot prices, and finds years in which prices in the spring were even lower than in the autumn, while in general the differences between spring and autumn prices are smaller than they were formerly, from which fact he concludes that "the trade in futures has operated considerably in favour of producers." He further states that the price oscillations are smaller in Germany than in England, where no business in futures is done! (*Liverpool has meanwhile become the third largest market for wheat speculation of the world!*) As soon, however, as Conrad makes the prices on settling day the object of his examination, the result is something quite different. The first months of the harvest year have then the lowest prices, and the last the highest. But Conrad considers these prices on settling day less important than the spot prices. He even thinks himself justified in deducing that "fictitious dealings in futures exert no influence on the business in actual produce." He advises farmers under all conditions to thresh their rye soon after the harvest and to sell. "For it is just with rye that the difference between prices in autumn and in the spring are but a minimum." The following comparison in barley prices shows that their oscillations are even smaller than is the case with the so much admired rye. But in the case of barley, there being no fictitious dealing in futures, Conrad says that with barley the differences are "almost as great" as with rye. The differences in prices are greatest in the case of oats, for which, it is true, there is a fictitious trade in futures. But, according to Conrad, the farmer himself is to blame in this case for not cultivating as much oats as he needs. Taking all in all, according to Conrad himself, the result of his examination is that "the aim of the trade in actual goods is naturally to depress prices at the time when the farmer must sell in order to raise them when the dealer chiefly holds the goods," but that "dealing

It confines itself to a scientific description of the historical past. That too is a standpoint. But it cannot be the standpoint of the politician, as it cannot be that of the physician. Just as the physician must be able to see the evil coming in order to avoid it, so should political science not wait until the evil has come in order to administer its remedies. As a rule it is then too late to help. If our scientists refrain from judging the inner conditions of the present, and from giving us peeps into the future, they should not then be entitled to the smallest word on present practical political questions.

4. It is quite natural that as a rule the differences in prices in connection with fictitious sales of futures are small. If, for example, a speculator on the Berlin Exchange sells on a particular day 200,000 bushels of "fictitious" rye, and then, after the prices have sunk 1-50 mark a ton, covers himself in such a way that he closes his day's business with an average profit of one mark per ton, so that the difference between the opening and closing prices is but 60 pfennige a ton or 3 pfennige a cwt., the representatives of science proudly point to the small difference in prices. Well, this speculator has in this case been able to win with these small differences between 12 and 2 o'clock, the Exchange business hours, some 200,000 marks. Is that but a little? Must we wait till twenty and a hundred-fold flow into the pockets of lazy speculators before the representatives of science hold it worth while to raise their voices against such methods of earning money under the present generally sad economic conditions? And yet the foregoing example is one kept within moderate bounds. On the Chicago Produce Exchange great "fictitious" sellers have already earned 2,000,000 marks and more in a single day by means of "bearing."

5. To represent the "fictitious" speculator as an idealist, whose greatest joy is to be able to guess as exactly as possible what the price will be five or six months ahead, is testimony of the most naive conception of Exchange matters. Such a case, which so very much attracts the attention of science, is for the speculator a very great disappointment, for then all his hopes are shattered. Experience shows that prices must continually vary. A difference there must be. And a decline in price is the difference the seller of fictitious futures mostly desires, as may be seen from Cohn's figures. In ten cases out of sixteen operations the expectation was that the decline would be greater. But the wonderful expert calculation in advance, so highly praised by science, is most flatly contradicted by the information which, according to my own experience, the leading speculators at all times are ready to give, on the subject of their most prosperous transactions. Almost always the tale is the same: "My best transactions were those in which, after thoroughly examining matters, I could reasonably say, 'Prices will take such and such a turn!' and I speculated in exactly the opposite way!" These expressions of speculators concerning their calculations in advance are in full accordance with the way in which the increase and decrease of tariffs are affected by the trade in "fictitious" futures. Facts also confirm the truth that the best expert can no longer to-day venture to give an opinion as to the probable prices next month, even when possessing the most intimate knowledge of supply and demand. It is just among those engaged in "fictitious" operations that we find the most glaring ignorance of goods and of the market, and it is to the international grain-market that the most uneasy feeling has spread.

6. Michaelis's old opinion, that "fictitious" sales bring new capital to develop the respective markets, and thus to allow of prices being better levelled from year to year and from harvest to harvest, is one of the least true expressions that was ever held. For it is the essential nature of fictitious dealings in futures that it produces an enormous class of dealers, deficient of special knowledge, without customers, and possessing but small capital, who

thus crowd out old wealthy business firms. Dealers in fictitious futures scarcely concern themselves with actual goods. They wish to have as little as possible to do with them. Their stores take the form of "contract notes" in their safes. Anyone still doubting my assertion that this class of dealer avoids as much as possible actual wares, should pay a visit to the Berlin Corn Exchange during the interval for "notification." Whoever has witnessed for himself the transference of a "notification form," passed from hand to hand as swiftly as if it were glowing iron; how at the same time all the assistance that powerful lungs can supply is made use of; how, finally, the unfortunate individual in whose hands the "notification form" remains at the sound of the bell, is at times ironically laughed at, while on the following day this unfortunate dealer straightway hastens to sell out at best possible price the parcel of goods received—whoever has once seen this, can no longer doubt whether actual or paper fictitious goods are being dealt in. This will also explain the fact that for years a few thousand tons of grain were sufficient basis for fictitious dealings in futures. Large quantities of goods only come into consideration in the case when a great capitalist makes use of one side or the other of these speculators lacking capital, in order to plunder now the producers, now the consumers, and for this purpose violates the market. But as soon as this plundering expedition is at an end, the capitalist releases the said goods and their price falls lower than ever, even in the face of a strong statistical position.¹ In such cases the money engaged is always a matter of many million marks. But is it necessary to give still another reason for asserting that it is economically undesirable that capital should in this way interfere with the trade in commodities? Should the honest dealer in actual goods really want an increase of his own capital, he will always be able to procure the same under the customary forms of procuring credit. And that no special difficulties exist in Germany can be doubted least of all by those who approve of Schmoller's estimate submitted to the Committee of Inquiry on Exchanges, according to which there are yearly two million marks saved in Germany.

7. Although Professor Conrad recently thought himself called upon to study the question at what period it is more advantageous for the farmer to sell his grain, whether in spring or in autumn, it is desirable to point out that such a study is of but little practical use, seeing that the farmer can neither live from the prices he receives in the autumn nor from those he receives in the spring.² When, moreover, Conrad thinks he can move the farmer

¹ This most important factor in connection with the systems has been exemplified, year after year, in every commodity since they were introduced into Great Britain. It has been invariably demonstrated that when outside operators have gone "bull" of futures, a decline is a certainty, generally ending in a panic, even in the face of short supplies. Further, that the value of the actual produce follows the daily price of futures, whether the latter decline or advance.

² Spot values ruling in the spring of 1896, in comparison with the values of futures selling at the same time for the autumn of 1896 and for the spring of 1897. Note heavy discount in the price of the latter. The decline in coffee since 1893 is 40 per cent. No wonder, as the author remarks later on, "the farmers must succumb under such bearish operations and continually depreciated prices."

	Cotton (Liverpool)	Wheat (New York)	Rio Coffee (London)	Santos Coffee (London)	Best Sugar (London)
	s. d.	s. d.	s. d.	s. d.	s. d.
Spot value, February 1896 . . .	4 1/2	—	62 0	—	11 6
Value autumn futures 1896 . . .	4 1/2	—	54 0	—	10 11
Spot value, June 1896 . . .	3 1/2	73 1/2	51 0	58 0	9 9
Value autumn futures 1896 . . .	3 1/2	64	46 6	54 6	10 0
Value spring 1897 . . .	3 1/2	—	45 0	53 6	10 3

to expressions of gratitude towards fictitious dealings in futures, by showing that an antiquated reproach against trade in actual goods does not apply to fictitious goods, he is decidedly mistaken.

He is mistaken in his conclusions. The invalidation of a reproach against trade in actual goods cannot diminish the guilt of the exchange, and because quite another reproach is made against fictitious trade in grain futures—namely, that it has continually and artificially depreciated prices in summer and winter, in autumn and spring, to such an extent that the farmers must succumb under them. Against this reproach, Conrad's comparison of the autumn and spring prices proves absolutely nothing.

He is mistaken in using the material he did. As a special statistician he should have shown that his spot prices were of but little value, although they emanated from the Imperial Statistical Bureau. Naturally, the dealer does not wait for these official statistics. And, moreover, the dealer knows quite well that the time-bargains—i.e. the exchange prices—also dominate the market for actual goods even in the case of spot sales. The dealer's attention is thus constantly directed to the telegrams announcing the price of futures. According to these he regulates his sales and purchases.

Scarcely anyone now concerns himself about the spot prices of spot sales, by the help of which Professor Conrad founded his scientific calculations. The brokers, who should fix these spot prices, often consider it superfluous to alter these prices for weeks at a time, whilst the prices of futures and the settling prices may have meanwhile undergone very material changes. I have previously shown that the difference between the prices at which dealers and millers transact business and the spot prices rises up to 48 marks. As a matter of fact this has long been known. In a lecture which Count Arnim-Muskau delivered, on February 21, 1894, before the Association of Taxation and Economic Reformers, he said: "Daily, at the opening of the exchange, the actual great transactions in real goods are made, when it is remarkable that much higher prices are obtained than is the case in the time-bargains. The public, however, scarcely hears anything at all of these higher prices paid for actual goods, for they are not made known to larger circles by means of official quotations." Conrad himself has run into this mistake in the course of his researches. He found that the settling prices afford quite a different insight into the relation existing between the spring and the autumn prices to that given by the spot price. In this case he should have gone more deeply into the matter. He would then have found that in the spring the spot prices are made to decline to an increased extent, whilst the prices on the exchange, and consequently the prices in the trade, rise. That is one of the sad consequences of the autocracy of the exchange prices, and of the fact that only the uninitiated still concern themselves about the spot prices. Had Conrad discovered these circumstances, he would then certainly have left unsaid his assertion that the trade in futures favours the producers. Conrad is further mistaken when he asserts that the difference in the price of grain between autumn and spring is an unfair one. Not only does the grain necessarily bear interest from autumn to spring, but there are also costs, waste, and risks of all sorts, and, finally, the legitimate trade profit to be deducted. A desire to reduce this fair and legitimate profit of the trade in actual goods is not at all justifiable nowadays. Fictitious trading in futures has sufficiently injured the trade in actual goods as it is. It is just this interest which the dealer in actual goods has in keeping up prices, and which the operator in fictitious goods does not possess, that the farmer must encourage. *The farmer has nothing to thank the fictitious dealer for.* And it is simply impossible to

conceive how Conrad could have been led by any considerations of this matter to sever the connection between the farmer and the dealer in actual produce, in favour of the fictitious dealer in futures. The latter nowadays robs the farmer and the honest dealer of their hard-earned wages. *Both need protection* for their common interests against the speculations of lazy traders; and certainly neither of them will let himself be led astray by Conrad's latest statistics in the united measures which they will together direct against the exchanges. Finally, Conrad's own calculations and considerations should have led him to make a stand against the exchanges. Of the four sorts of grain—rye, wheat, oats and barley—the prices of which he statistically examined, *barley is the only grain of which futures are not regularly dealt in on the world's exchanges.* And remember, it is with barley that the differences of prices in spring and autumn are smallest, and—what Conrad unfortunately constantly overlooks—the price of barley has remained remunerative to farmers although it is just in this case that the overproduction theory might be mentioned. If, then, the difference in the prices are in this case smallest, this levelling cannot be ascribed to dealings in futures. And if it is just in this case that the evil of extremely low prices has been avoided, then the closing sentence of Conrad's inquiry should have been, in view of the present agricultural distress, "Away with fictitious dealing in futures!"

XI.

THE ABOLITION OF FICTITIOUS DEALINGS IN FUTURES, AND THE REORGANISATION OF THE PRODUCE EXCHANGE.

"PRINCIPIS obsta!"

Christendom has sanctified bread. A pious custom considers it a sin to throw it away. Of all the material blessings of this earth, bread is for man the most indispensable. And this bread in the shape of breadstuffs has been converted by fictitious dealings in futures into a "gambling counter," and this in order to establish in the exchange "a Monte Carlo without the music," at which the great international capitalists sit and hold the bank. This is an abuse of bread directly antagonistic to the spirit of Christianity that must be forbidden in a Christian State.

It is the calling only in which one serves that may be termed productive, and every calling in which one actually serves is productive. The farmer who cultivates his plot and strives to make the earth yield not merely for himself but for others, is productively employed. The craftsmen and manufacturers who purify the raw material and make it suitable for the use of man are productively employed. The trader who builds a bridge of personal relations between producers and consumers, who brings the produce of the one to the man who can most appreciate it, and best carries out the orders of the other, is productively employed. The judge who equitably settles the quarrels of traders is productively employed. So is the teacher, who points out and opens up the treasures of science and of human knowledge to maturing youth. The priest who preaches to his flock revealed religion, and consequently strengthens the soul in its battles against temptation, is productively employed. These various callings do not place earthly things equally in all their respective hands, but this is not the criterion of productivity. They are all included in the community of men and nations engaged in moral work. They all, each in his station, supply the great material and spiritual wants of humanity. That is why they are doing productive work, even when they obtain insuffi-

cient and unfair compensation for their work. Unproductive are they who do nought, or the non-active. The usurer, the thief, and the robber are often very active, and at times they obtain considerable means, but none of them serve the public. Their activity places them outside the moral community, and consequently also outside the law, and they exercise on the productive activity of their fellow-men no beneficial, but rather an injurious influence. They destroy and annihilate, whereas others build up, and this is why the power of the State is turned against them.

*Fictitious dealing in futures is unproductive. It neither serves the interests of the producers nor those of the consumers.*¹ It simply serves its own interests. Its activity is an aim for itself alone. It strives at earning as much money as possible for itself, irrespective of the consequences to others. Dealing in fictitious futures is therefore one of those destructive occupations which injure the productive activity of others, and belongs to the same category as that of the usurer, of the thief, and of the robber.² In its form it is a class of itself, foreign to the moral community of nations, and if legislation has not hitherto been directed against it, this is due to the fact that it is a new development that has grown silently through a hole in our judicial principles.

The German Imperial Government long ago saw and acknowledged all this. Thus, on February 24, 1888, Prince Bismarck, writing as Minister of Trade to the Seniors of the Stock and Produce Exchanges, says: "The Seniors have expressed their opinion in the report on the local exchanges of December 19, 1887, that, in fixing the general conditions of delivery, the interests of those parties only are taken into consideration who deal in grain on the exchanges. I cannot confine the political aims which influenced the establishment of the exchanges within such narrow limits. For the State the business of the exchange is not an aim of itself. The interest of the community of our fellow-citizens is not in the same proportion concerned in the regulation of the grain trade on the exchanges, as in the reaction it exerts on the production and consumption of grain; in the former the majority

¹ I can here point out that the remedy, in the shape of the prohibition or restriction of the gambling systems, in order to raise values to their natural level, based on the world's supply and demand of the actual produce, is a non-artificial one. Consequently, it is one not unjust to the masses. Further, that the general impression regarding the price of the loaf being regulated solely by the price of wheat is erroneous. The latter is only one item that affects the loaf. Into its price enters the question of labour, rent, taxes, coal, and cost of distribution. It will be readily admitted that the consumer has not benefited to any great extent by the depreciation of wheat, and there is no reason why a rise in the value of wheat, sufficient to render its cultivation remunerative, should affect appreciably the cost of the loaf. The fluctuations in grain prices are covered by the margins of profits allowed by bakers. M. Alfred Falsant, President of the Civil Tribunal of Versailles, states, in his admirable contributions on gambling in "fictitious" wheat to the "Journal de l'Agriculture" of December 1896 and February, March, and April 1896, on this point: "There is no reason to fear any conflict between the labourer and the artisan. It has often been proved that their interests are bound up together, for in order to keep up wages it is necessary that the rural consumption of manufactured articles should be in proportion to the urban consumption of produce. In the nature of things there cannot logically exist any conflict between these two elements, since both represent labour." Price, McCormick & Co., one of the most influential firms on the New York Produce Exchange, in their report of April 17, 1896, remark: "The retrograding tendency of the business of the Boards of Trade, the country over, calls for earnest thought and action. This retrograding must be stopped, or the end will be fatal and perhaps not overlong delayed. It is a matter that interests not only the members of the Boards of Trade, but the general public. It has become a serious and perplexing problem. If its tide is not checked, it will work serious havoc in the commercial world, not only to the middleman, but to the producer and consumer as well." An undue depreciation of produce, sufficient to ruin farmers, cannot, therefore, be to the interests of consumers, who cannot benefit by cheap prices if the labour market is disorganised and wages and employment reduced.

² The interference with the systems is not against the liberty of the subject. All systems of plunder and robbery are invariably interfered with by legislative action when injurious to other subjects.

co-operates, and in the latter the whole. The purpose of the Corn Exchange, then, is to further sales and the profitable remuneration of national agriculture, and to assist the requirements of consumption."

Von Boetticher, writing as representative of the Minister of Trade, on June 11, 1888, to the Seniors of the Berlin Stock and Produce Exchanges, says: "I cannot share your opinion that the knowledge which must be possessed by those chosen as experts can only be acquired by those who have been actively engaged as grain-dealers. On the contrary, I assume that this knowledge and experience can be acquired in other trades, especially such trades as are devoted to the production or the working of grain." And, "Dealing in grain futures would lose all economic justification if it solely took such a form as would render it impossible for the miller to cover his future requirements by buying 'futures.' At the present the miller is not able to do this."

Now, all these evils, which were censured in 1888 by the Imperial Government and the Prussian Minister of Trade, are still extant. As formerly, the Berlin Exchange is now "an aim for itself." Only those who "do business there are considered sufficiently qualified to be permitted to speak as 'experts' when the conditions of delivery are being examined and revised. Besides which, the conditions of delivery are still of such a kind that the farmers cannot make any use of them, while with regard to the millers, the wheat received by them cannot be utilised. So that, even according to the arguments of Herr von Boetticher, this sort of dealing in futures has lost all economic justification.

If we take the same point of view as that expressed by Prince Bismarck and by Herr von Boetticher, we find that it is evidently the duty of any reformer of the exchanges to revise the following conditions of delivery, especially so for Berlin.

1. In respect of the quantity of goods to be delivered: abolition of the clause fixing 50 tons as the minimum quantity deliverable. For, by reason of this clause, scarcely one in 10,000 German farmers can bring grain on to the exchange. The quantity should be reduced to $2\frac{1}{2}$ tons—i.e. to 2,500 kilos.

2. In respect of the quality of the wheat to be delivered, the clause providing that only certain specified sorts are deliverable should be abolished. On the contrary, the Corn Exchange should be the place where everything can be sold according to its intrinsic worth.¹ Adulterations by mixing should alone be excluded from the market. Not only does the valuation of every delivery according to its quality provide the most important stimulant for the progress of agricultural science, theoretical and applied, but it is also the best reward for greater industry and better discernment. The milling trade has in this enormous differentiation of quality and sort one of the best means of taking the various tastes of consumers into consideration.

3. In respect of time of delivery, every general division into months and spring and autumn deliveries is at variance with the requirements of production and consumption. It causes the constant unnecessary supply of super-

¹ With regard to "option" contracts of wheat in Liverpool and in London, only that grade which is termed "not lower than No. 2 American standard" can be tendered. Wood Davis, of Kansas, in giving evidence before the American Agricultural Commission in 1892, said that "98 per cent. of the wheat grown in Kansas—the largest wheat-growing country in the States—was below that grade, and had to be sold by sample; yet the prices of the entire crop grown were ruled by those prevailing for the very small proportion of the crop sold many times over under the 'option' system in America, for it is only the price of 'graded' wheat which is quoted in the 'market reports.'" In America and in England, only American and Californian grain is traded in in options, and can be delivered. The continental exchanges do not make any distinction in the delivery of European or American grain against future contracts.

fluous large quantities within a few days, connected with which a violation of the market can generally be discovered. The conditions permitting this should therefore be abolished. Conditions respecting time of delivery should remain perfectly open and free. In each contract they should be the object of special arrangements commensurate with actual requirements. Long terms must be excluded on principle. It is no necessity of consumption or of production that induces dealings in January for September deliveries, for even if we in Germany had to obtain our grain supplies from San Francisco, they would have reached the German coast in sailing vessels within 130 days of loading. Why, then, contract for wheat 270 days in advance? We can now supply our wants almost entirely with home-grown grain; the foreign supply serves but as an unimportant complement. The excellent development of transportation enables the consumer to be continuously supplied. It is only in Siberia and in suchlike districts that one makes provision for a year at once. A trade that is carried on within short periods also gives prices a greater freedom to shape themselves, whereas terms of nine to twelve months weigh like a mountain on the natural development of prices, especially when such terms have been fixed by "bears" fictitiously dealing in futures.

4. In the quotation lists, four different qualitative types should be fixed annually, selected from the most marketable sorts to be quoted; in this way dealers would grow accustomed to decide the prices of various grains, according to the position they occupy in the scale of qualities. The publication and circulation of such quotation lists as the following:—"Provided the commission reaches me within twenty-four hours and that New York quotations have not meanwhile varied $\frac{1}{4}$ cent, I am prepared to buy or sell for May, June, July, August, September . . . at the following prices . . ." &c. ought to be regarded as an inducement and enticement to gamble, and should be severely punished.

5. The contract note should specify not merely the quantity and quality of the goods, together with their price and the time of delivery, but also should contain some indication to show that the seller actually owns the goods sold, together with particulars of the place in which they are stored. If it be proved that the particulars stated are untrue, and that fictitious sales of goods not actually in possession had been made, such conduct, which experience shows us to be so injurious to the interests of agriculture, industry, and commerce, should be most severely punished.

The foregoing is a rough sketch of the contents of a thorough reform of our Produce Exchanges, by means of which fictitious dealings in futures would be abolished, and honest trading in actual goods would be concentrated in a way which would prove most useful and desirable. The exchange would not thereby be abolished. But instead of being as now an end for itself, an institution that paralyses and destroys the productive forces of the nation, and that consequently stands outside the moral community of the people, it would be changed into an institution that would help producers and consumers to meet, to assist and to serve the community, and would thus become productive.

Seeing that these demands can be easily deduced from the principles embodied in the above-quoted opinions of Prince Bismarck and of Herr von Boetticher, no one can suppose that the Government can be opposed to their

¹ On the British Stock Exchange, according to rule 90, no transactions are recognised in stocks or shares beyond the second account—i.e. a month in advance at the outside. The terms of settlement are fortnightly. At the annual conference of the National Association of Master Bakers, held at Newcastle on June 2, 1896, a flour sale note was adopted limiting the time for delivery of "forward" purchases to four months. I may here remark that gambling in "options" of flour is largely carried on in Paris by international operators.

fulfilment. And, seeing that the demands of agriculture, of industry, and of the trade in actual goods are in this respect identically the same, an early recognition of them ought soon to be effected. We may naturally expect that the representatives of the great international capitalists would most energetically oppose them, for they naturally have no wish to lose the key which will give them the command of the world. But the nations can no more listen to representations coming from this quarter than the Prussian Minister of War can seek advice concerning the national defence from the officers of the French general staff. The Seniors of the Stock and Produce Exchanges in Berlin, who are entrusted with the supervision of the Berlin Produce Exchange, will call such proposals unacceptable and in the highest degree hurtful. This should not surprise us. These bodies do not possess the necessary qualification to enable them to judge of the justification of the proposals we have brought forward. After having stood for decades surrounded by the characteristics of the fictitious trade in futures, they have become so completely imbued with the sentiments of this form of business that they are accustomed to look at the whole world only from this one point of view. For instance, in the Report of the Seniors of the Stock and Produce Exchanges for 1893, it reads on page 48 as follows:—"The farmer speculates when he cultivates more grain or breeds more cattle than he himself needs, the shopkeeper likewise speculates when he buys a barrel of herrings in order to sell it piecemeal. . . . The speculation on the exchanges is of exactly the same nature, both in its moral and economic aspects"!!! Thus the factor of time and that of profit are all that the Seniors think worthy of consideration in judging of economic action. It seems to be a matter of total indifference to them whether trouble and labour and knowledge are necessary, as also whether others are thereby injured or assisted!

As regards the practical result of our suggestions, it is also probable that the Seniors of the Stock and Produce Exchanges will not be able to express any judgment worthy of consideration. At any rate, in all analogous cases the Seniors have always predicted the most awful consequences, and, as a rule, the very opposite has really happened.

In 1888, Prince Bismarck demanded that rough wheat should be excluded from contract notes for wheat, and that the minimum weight of goods deliverable should be somewhat raised. The Seniors of the Stock and Produce Exchanges answered, on September 25, 1888, as follows:—"Should your Highness insist upon the prescriptions of your communication of the 11th inst. being carried out, we fear that trade will not follow the way there laid down for it, but that somewhere and somehow it will transact its business in futures abroad. The weary year-long attempts to make Berlin the principal market for grain—attempts which, in the matter of rye, have entirely succeeded, and as regards oats and wheat have partly succeeded—would certainly prove to have been in vain, and the leading positions in the grain trade would have to be given up without a contest to St. Petersburg, London, Amsterdam, and New York." Now, in spite of this, Prince Bismarck saw fit to let matters develop in accordance with the views expressed in his circular of August 11, and nothing happened to confirm the fears of the Seniors of the Stock and Produce Exchanges. Again, when an increase in the tax on operations on the Exchange was about to be introduced, they asserted: "We entertain the fear that in the event of the tax on Exchange operations being increased, a number of important firms will have to liquidate their affairs and to transfer their operations to other countries." Whereupon, and in spite of the fact that the said increase in taxation was introduced, business on the Exchange continued better than ever.

It is a matter for regret that the *German United Chambers of Commerce*¹ do not seem to entertain right feelings towards the demands here formulated. At any rate, this is the opinion we gather from the most recent transactions of this body. At their congress, on March 10, 1896, A. Laeiss, of Hamburg, amid general laughter and without being reproved by the representative of the Government there present, said: "The tendency of the bill for the reform of the exchanges is to protect the economically weak—i.e. the stupid—and we fear that if they cannot be protected except by such means, it would be better if they were not at all protected. It is our opinion that it is better that the apprentices in the country grow wise through losses than that the stupid in the whole country should be so protected that the wise can no longer exist." *Where such opinions prevail, it is impossible to come to such an understanding in respect to a reform of the exchanges as is likely to prove a social blessing to the country at large.*

The reform of the Produce Exchanges that we have here suggested, and that completely exterminates fictitious dealing in futures, will nevertheless not have done everything that is needful. It is further necessary that the idea suggested by Count-Arnim Muskau be carried out, and that by means of a suitable organisation the local markets should be brought into a closer connection with the central exchange. And, finally, it is necessary not to forget the danger, pointed out by Van Gulpen, of a possibility of a powerful rise in prices produced by a hoarding of grains "after the abolition² of fictitious dealing in futures," to be met by the introduction of a suitable law on granaries. The outlines of such a law have already been sketched out by the Farmers' Alliance. *To prevent the "bears," as now, living the whole of the granaries and ericting the goods stored there in order to depress prices, it is made a principle that "the right of storage goes with the goods."* The supervising authorities can, moreover, in the case of goods being artificially shut up, straightway end the right of storage, and thus compel the owners of the goods stored to sell. A special law such as this would be for the management of the grain supplies, as the banking laws are for the management of the money supplies. It would constitute a link in the chain of legislation that aims at securing for us our daily bread and the life of our national agriculture.³

¹ Equally similar ignorant arguments can be observed in the debates of the Chambers of Commerce of the United Kingdom during September 1894 and March 1896 on "Options and Futures" of agricultural produce. In 1891, when the question of gambling in "warrants" of fictitious pig iron was brought forward, a subject fully understood by the Chambers, the following resolution was carried unanimously:—"That this Association approves the bill introduced into Parliament by Mr. W. G. Ainslie, M.P., with regard to dealings in pig-iron warrants, and will use every endeavour to support the same whenever it is before the House." I may remark that the basis of gambling in "options" of produce and silver is far more ruinous in its results than even are similar operations in "warrants" of pig iron and other metals.

² I presume Van Gulpen refers only to a "partial" abolition of the world's fictitious dealing in futures, because, if not, artificial corners to raise prices will still be possible by means of the medium of the other existing "future" exchanges. The hoarding of grain "after the abolition of the systems" is hardly possible, considering that grain can be obtained from all parts of the world at a moment's notice, which would check the possibility of a powerful rise in prices brought about by such artificial means. Besides, this commodity stands unique in its position, as it is grown in every part of the world. If these international gambling systems in non-existing grain were universally abolished, "corners," "rings," and monopolies would be impossible in the present sense of the word. There would be no "futures" or "hedge" or such artificial transactions. The only speculative transactions prior to 1883 consisted in actual produce. This form of speculation is legitimate, and was a direct benefit to producers. Speculation in "paper" non-existing produce is gambling of the most illegitimate kind, and as such, can only be a direct injury to producers and consumers, especially to the former, as the "bears" or sellers of such are shown to be invariably in a stronger position than the "bulls" or buyers. Yet the operations of both must invariably tend to lower prices in the long run.

³ Why should not our British daily bread and our national agriculture be absolutely pro-

XII.

A BELGIAN GRAIN DEALER CONDEMNS GRAIN FUTURES.

THE Belgian wholesale grain merchant and dealer, F. Hammesfahr, of Antwerp, has just published a small economical work against dealing in grain futures. Practical experience as a grain dealer has led him to the same powerful condemnation of fictitious dealing in futures as that which arose from the experience of the Liverpool produce broker, Charles W. Smith, whose opinions during the past few years have been repeatedly laid before continental readers. Hammesfahr's ideas and his method of argument and proofs are so peculiar and convincing, that we cannot refrain from reproducing extracts from them.

Hammesfahr begins by emphasising the fact that although the whole of the fall in grain prices cannot be attributed to the present gambling in futures on the principal exchanges, yet a very considerable part of this fall is due to this gambling. He then distinguishes four chief groups of persons who speculate in futures. They are:

1. *The pure gambler*, operating solely in paper grain.
2. *The arbitrageur*, or importer, who buys or sells as the case may be, in order to secure himself against losses arising from his deals in actual produce.
3. *The grain-dealer*, who occasionally "covers" his purchases by operations on 'Change.
4. *The commission house*, always buying or selling for others, mostly paper grain, earning a certain brokerage for its trouble.

Hammesfahr then analyses the activity of these several groups as follows:

The activity of the pure gambler (in paper grain) on the Corn Exchange is nothing but simple "betting," which might be characterised as somewhat harmless but for the fact that at times "bears" and "bulls" seek to violate the market by means of actual wares. The result is that every artificial rise in prices causes extraordinarily large quantities of grain to stream to that particular market, whereas an artificial drop in prices can also only arise through a powerful procuring of grain supplies greater than is sufficient to supply the demand. *Thus, under any conditions, artificial bulling or bearing produces a fall in prices.*

The arbitrageur, who resides as a rule in the same city in which the exchange is situated (although often largely utilising foreign option markets as the basis of his operations), sells futures, against which he buys for delivery grain from the producing country, or else he buys futures and sells grain for delivery. But the difference between the price of futures on the said exchange and the condition of prices on the world market is nowadays as a rule so small that the arbitrageur can but seldom derive a direct profit therefrom, while in many cases it actually leaves him a temporary loss; the arbitrageur never reckoning in the first instance how much profit he will secure, but looks only at how much he may lose in the worst case of manipulation between the two transactions. The arbitrageur can thus only hope to obtain

tested by legislation from international "bear" operators, as the property of bankers is protected? After the great financial panic of 1866, largely caused by "bear" raiding, a bill was passed in 1867, called Leeman's Act (30 & 31 Vic. cap. 29), which prohibits "bear" sales of "fictitious" options of bank shares in joint-stock banking companies. Since the passing of this Act no bank has been ruined by outside "bear" operators gambling in bank shares. If it was found possible to frame a bill in order to protect private property, why is it not also possible to frame a bill to protect the property of our greatest and oldest national industry? Such a bill as Leeman's might assist the Board of Trade "to draw a distinguishing line in an Act of Parliament between legitimate speculation and gambling enterprise." *Vide Lord Dudley's speech in the House of Lords, May 1, 1896.*

his ultimate profit on his "future" operations, which he can only carry out by means of and with the assistance of the goods he has acquired by them. *The arbitrageur is thus an importer of produce,¹ whose operations are based solely on the markets in futures.* Does the price of his actual goods advance, and the arbitrageur has sold futures in order to obtain possession of actual goods; he then gains a profit on his actual goods as a set-off on what he loses on his futures. However, as soon as he attempts to sell his actual goods he has to compete with the *bona-fide* grain-dealer, who, losing nothing on futures, is satisfied to sell the goods he owns at a merchant's profit. *A rise in prices is consequently useless to the arbitrageur. But not so a decline. With a fall in prices, the arbitrageur wins on his futures that which he loses on his actual goods. He can sell the latter on the world market at cost price and considerably beneath it, and yet clear a profit, because the profit on his futures considerably exceeds the loss on his actual goods.*

The grain dealer, who has had no share in similar speculations in futures, cannot compete against him in selling his stock of goods. On the contrary, he must look on while his neighbour sells his grain at prices at which it can never have been bought. *This business method of the arbitrageur's explains the remarkable fact that even if the price of grain in the export countries is an unprofitable one, it nevertheless finds its way to Europe, attracted by the "futures" exchanges as if by a magnet.* Taking all in all, the operations of the arbitrageur have the same result as those of the gambler, in that, without any consideration for actual requirements, he attracts grain in large quantities, and thus in any case creates a fall in prices. While, however, the gambler only now and then resorts to this manoeuvre, the daily activity of the arbitrageur tends continually, if more slowly, to lower prices.

The lot of the grain-dealer is, on the other hand, an unenviable one. Unless he regularly gambles on 'Change, every drop in prices makes him face the competition of the arbitrageurs, whose lower offers make him sell his grain at a loss; for the grain is far from being able to bear the cost of storage. Should he, however, regularly gamble on 'Change, he can nevertheless not compete against the arbitrageur, for he does not himself reside in the exchange town, and is consequently unable to utilise every hourly fluctuation in the future market. As compared with the arbitrageur, he has, further, the disadvantage of having to pay the amount of his commission to the commission house. The small profit which the grain-dealer hereby obtains has, unfortunately, in many cases caused him to attempt to increase his profits by means of larger turnovers. Quantity can only do it. Risks have been thereby naturally increased, and, we consequently see that dealing in futures has caused the grain dealer to bring greater quantities of produce to the market than would be the case if the market in futures did not exist. Nothing is so misleading as the statement made that the market in futures offers an "insurance" to the grain-dealer.

¹ I can only remark, on reading Hammesfahr's extracts, as given by the author, that he has hit the right nail on the head. His arguments and facts re continental arbitrageurs or importers are true to the letter. They confirm all previous writings, as well as the views and arguments set forth in the foot-note on p. 43, with regard to similar operations on behalf of English importers and foreign exporters, both of whom are flooding Great Britain with foreign grain and other produce on this artificial basis. Such a basis is entirely subversive of the principles of free imports and free trade as intended and as introduced by Cobden and his colleagues. Hence, the form of protection required in this country is "protection" against these international systems introduced in 1883. It is also most important, when taking the above unfair and artificial basis of importation into consideration, to remember that for all practical purposes, the wheat required by Great Britain and Belgium composes the quantity which is known as the world's demand, and to supply which the farmers of all wheat-exporting nations are in continual competition. Thus, farmers are being ruined by this most unfair form of foreign and home competition, the direct outcome of the international future gambling systems.

The grain-dealer who speculates in futures in order to diminish his risks is naturally trying to sit down on two chairs at once, and is a loser both on his futures and on his actual goods. There is therefore nothing surprising about the fact that all grain-dealers who have made use of this much-praised "insurance" by means of futures have successively succumbed, sacrificed by these "insurance" companies!

Finally, the *commission houses*, as we have already mentioned, buy and sell on behalf of others, and their only aim is to earn a commission. One should not undervalue the importance of the part played by the smaller and greater operators and gamblers that are attracted by these commission houses. *The Corn Exchange could not exist without them!* These innocent outsiders keep the market alive with innumerable orders, and as a rule compose the so-called "countermine." Did everyone wish to become an arbitrageur, the whole machinery would straightway break down. The arbitrage business or present basis of import could thus no longer exist, without basing itself on illegitimate gambling and pure swindling. "Is it possible under such circumstances, for one moment, to talk of any legitimate dealing or trading in grain futures?"

There thus remains not a doubt that the exchange for grain futures produces absolutely no good. Without exception, the individuals that work there attract large quantities of goods without any consideration for actual requirements, and thereby produce a continual depression. If there were only speculators and gamblers on the Corn Exchange, the world's market might influence the Exchange, but never the Exchange the world's market. Fifteen years ago, before the produce exchanges were registered and their quotations recognised as official, the quotations for futures actually exerted no influence on the world's market. But since then this most prominent organ of the exchanges' official intelligence, in the shape of the arbitrageur and his fictitious quotations, has arisen, and his hourly and daily activity chiefly consists in assuring to the exchange its pernicious influence on the prices of the world's market. The "fluctuations in prices" of each exchange, arising from gambling, from swindling, from violent manipulations of the most manifold kind, are transmitted officially by the arbitrageur to the world's market. *He straightway causes every rise in futures to be felt in the exporting countries, and every fall in futures in every consuming country of the globe.* The working of the wonderful organism known as the exchanges for corn futures merely burdens the market, never relieves it. Can one seriously talk of a "safety-valve" merely increases the excitement by purchases of grain at fabulous prices, and that at the time of a great depression produces a panic on the world's market by a senseless underselling of great quantities of corn? "A pretty safety-valve, indeed!"

It is an indisputable fact that the origin of the exchanges for the sale of grain futures coincides with the ruin of the grain trade. The grain-dealer is all the more defenceless before the competition of the arbitrageur, seeing that the latter wages war neither on the same footing nor on the same principles. *The arbitrageur needs no knowledge of the goods he sells.* He buys certain grades and sells futures, or the other way about. The requirements of the consumers, the laws of supply and demand, are no need to him. His mercantile foresight does not extend itself to the amount of his turnover. For him quantity plays no part. It is "impossible for the honest grain-dealer to face this competition for any length of time. For whereas his whole aim must consist in buying cheaply and selling dearly, the arbitrageur may buy as cheaply as possible and sell as cheaply as possible. One merely needs to consider whence the

arbitrageur obtains his profit, and who finally has to bear the loss arising from the fact that the arbitrageur generally buys more dearly than he sells, in order to answer the question, who of the two—the arbitrageur or the honest grain-dealer—should claim the right from an economical standpoint of being kept alive and protected from these ruinous systems."

Overproduction cannot, as was so often maintained, be the cause of the sinking of grain prices. When one considers how little production has increased, whereas, on the other hand, the number of the consumers has continually increased, the presence of overproduction must be entirely doubted. What, however, is occurring, and what is too frequently being confused with it, is a flooding of the markets with foreign grain imported on an artificial basis, which stifles the demand and causes the home corn to face a terrible underselling. It is solely the sales of futures on 'Change which permit such a disastrous condition of affairs to last. For it is the exchange only and the power of the future market that can afford to attract ever-increasing quantities of grain, without any consideration for the market requirements.

This evil will disappear with the disappearance of the dealings in futures. For to buy dearly and to sell cheaply are incompatible with honest dealing in grain! Should, however, after the prohibition of the trade in futures, a local overproduction arise in any exporting country, the evil will first make itself perceptible in that country and give the signal for a limitation of production there. This is the "natural settlement of the relations of production" which the exchange arrogates to itself.

One may turn the matter over as much as one will, the risk which attaches to honest dealing in grain is an economical necessity. Dealing in futures, far from driving this evil out of the world, merely passes it on to innocent outsiders, turns it on to the countermines. Under the delusion that it can organise a "grain trade without risks," dealing in futures ignores the supply and demand, floods the market with goods irrespective of local requirements, and with all sorts of machinations continues to depress the price of grain, thus destroying trade and agriculture. One may think what one likes about gratifying the desire of the public to gamble. Under no circumstances should one, in order to satisfy it, retain a system that is undoubtedly producing the ruin of trade and agriculture! It is not true that the trade in corn and dealing in futures are so closely bound up together that they cannot be separated. For in trading in corn it is tacitly understood that the goods sold be delivered and received. In dealing in futures it is tacitly understood that the corn is specified by name only, that it need neither be delivered nor accepted; and if in the case of artificial corners or of artificial depressions one insists on the fulfilments of obligations, this is, in the trade in futures, looked upon as dishonourable!

For all these and other reasons Hammesfahr sums up the purport of his observations derived from practical experience, that it is a necessity in the interests of agriculture and trade for fictitious dealing in futures on the Corn Exchanges of the world to be abolished.

XIII.

CONCLUSION.

It has often been said that the serious evils of international fictitious dealings in futures can only be remedied by means of "international" reforms. It must certainly be admitted that the full benefits of the demands we have made would only be appreciable if the same were carried out not only in

Berlin, but also in Chicago and New York, in Liverpool, London, Paris, Vienna, and Amsterdam. Nevertheless, the reform of the exchanges is one of those measures which can also be carried out "nationally," and that does not need to wait until an "international" agreement has been come to, such as is unfortunately the case with the currency reforms, the reform of railway rates, the abolition of the sugar premiums, &c. For no one will be injured by a reform of the exchanges save the professional speculator. And supposing that this sort of business man should emigrate or transfer his gambling operations to a foreign Produce Exchange, Germany¹ would certainly have thereby lost nothing. A national economical risk is not bound up with it. But within a short time the beneficial influences which this measure would exert on all classes of the population would act persuasively on the other nations. Especially is it the duty of Germany to lead the van in these matters. It is from Germany that fictitious dealings in futures spread over Europe. It is also from there that the right means of ending this dangerous evil should come.² In spite of this, it is not necessary to wait till sufficient improvement in our price of grain has assisted the above and other reforms in their triumphant way round the world. We beg to be allowed to make the following proposal. We have seen in the course of our review of fictitious dealings in futures how the international capitalists beat down prices quite irrespective of the relations that may exist between the supply and the demand of grain. The testimony of the expert Heuser, of Duisburg, taught us, further,

¹ Those sound remarks are applicable to all countries, especially to Great Britain. As I pointed out in my evidence in 1894 before the Royal Commission, if America and the European Governments put down this gambling by legislation, England would be obliged to do so in self-defence, or else "become the sole hell of the worst form of gambling, accompanied with still more acute depression on depression." I already notice, since the passing of the German bill, that the German operators are making preparations to transfer their gambling transactions to London, Liverpool, New York, Chicago, Vienna, Paris, Amsterdam, &c. This is exactly what the American gamblers proposed to do in 1892, when they thought their Anti-Option Bill was to become law. Hence the above remarks are applicable to all those countries whose Governments do not restrict or prohibit these ruinous systems.

² For some years past an agitation has been carried on in the United States by American farmers and their representatives in Congress. Unanimously farmers are of opinion that these gambling systems are injurious to their interests. The late Secretary of Agriculture and the statistician of his department were strong supporters. Three bills have been before Congress. The first was originally prepared by Mr. August Post, Secretary of the National Farmers' Alliance, by which body it was endorsed. It was introduced to Congress by Mr. Butterworth, and on his retirement, Mr. Hatch, of Missouri, took charge of the measure, with such good effect that it passed the House of Representatives in 1892 by a large majority (3 to 1), but failed to reach the Senate before the adjournment. Mr. Washburn, of Minnesota, introduced a similar measure in the Senate, and this was passed just before the end of the session, and sent to the House of Representatives. In order to obtain a hearing for it out of the regular order of business it was necessary to obtain a majority of two-thirds. On a motion for the consideration of the bill being put before the House, 179 members voted for it, and 124 against it. Thus the measure was shelved on account of the majority being insufficient for the suspension of the regular order of proceedings in its favour. In 1895, Mr. Bankhead introduced another Anti-Option Bill in the House of Representatives. This measure was carried twice by an overwhelming majority (4 to 1); in December last, and referred to the Committee of Agriculture, who voted by a majority of 9 to 4, this year, to table it during the present Congress. This is in face of the fact that at a mass meeting of the National Farmers' Alliance, representing 4,000,000 farmers, held at Chicago on December 18 last, a resolution was unanimously carried: "That the labours of all the delegates of the Alliance should be concentrated for 1896 to secure the enactment of their Anti-Option Bill." Regarding this action, the "Farmer's Voice" of March 21 remarks: "This move leaves the Chicago Board of Trade to continue its gambling in grain without interference. It is not too much to say that our Boards of Trade are the worst nests of gamblers that there are in this country. They are the most subtle, the most infamously designing crowd, the most audacious robbers of the farmers that this country has ever produced." Similar comments have been made by all the leading agricultural papers throughout the States on the rejection of this bill, their one proposed remedy for the relief of agricultural prices. In addition to the numerous foreign countries already mentioned, the following have also the subject before them for consideration: Russia, France, Belgium, Denmark, and Sweden and Norway.

that the wholesale dealer, when he finds that prices are somewhat too low to enable him to sell his floating stocks, *buys futures in order to make prices pro tem. rise*. Why cannot the nations do on a large scale what Heuser does practically on a small scale? If Austria-Hungary, Germany, France, Belgium and Holland, together with Scandinavia and Denmark, England, and the United States and Russia, were to begin buying respectively in Vienna and Budapest, Berlin, Paris, Amsterdam, Liverpool, London, Chicago, and New York, each for 20,000,000 marks, or in total for 140,000,000 marks, within a week we should have such prices for grain as we desire. *The "bears" who nowadays rule the market so unnaturally would be crippled.* Should an unnatural and consequently undesirable bulling thereupon follow, this same credit of 140,000,000 marks would be again the excellent means of counteracting it in favour of *normal middle prices*. This correction on a large scale of the price of grain throughout the world is certainly not to be carried out by Privy Councillors and professors. But where there is a will it will certainly not be difficult to find on each of the chief exchanges the right person to be entrusted with the management of such a transaction. *The mutual assistance of the several nations is a matter of course.* Consequently a small part of the before-mentioned sum would probably be enough to obtain and maintain normal prices of grain. Losses would be excluded. On the contrary, not inconsiderable profits would flow into the Government exchequers.

Such action on the part of the nations would be by no means anything new. *At the time of Cohn and Rosenberg's bearing operations of last year, even Germany utilised several millions of the national money on the Exchange, in order to prevent a still greater decline in prices of grain.* Russia has not merely taken part with great success in the speculation in "roubles," but has recently undertaken somewhat large banking transactions for China. *In all these countries, the distress of national agriculture, owing to the badness of prices, has been officially recognised. The several Governments maintain that they will gladly do what is possible to relieve the agricultural distress.* Now when the immensity of the sums dealt with in the Budget is considered, no difficulty should arise in the procuring of a credit of 20,000,000 marks. The common understanding concerning the height of prices to be attained is easily come to. *The whole of the capital which it may be necessary to invest will be free from the moment that the several nations introduce the reform of their exchanges, by abolishing fictitious dealings in futures.*

¹ Universal legislation to prohibit gambling in non-existing produce would be the simplest and soundest remedy, but should these nations be unable to combine to carry measures to kill the "bear" operator, then some drastic steps, such as is proposed by the author, would be absolutely necessary if agriculture and, indeed, commerce are to be saved, however distasteful to English politicians might be the employment of public money for such a purpose. The international "bear" operator in produce and silver is the main cause of the ruin of the world's agriculture and trade, and his perfectly unnecessary "paper" transactions must be prohibited in the interests of the rest of the world.

² By directly meeting the acknowledged cause of these depreciated prices, and not by the Rating Bill, the Light Railways Bill, and other proposed remedial measures, which do not touch the actual evil. Yet the "Intentions" of our Government must be good to judge by Lord Salisbury's remarks on first entering the House of Lords after taking office in the present Government: "The improvement of the daily life of the struggling millions, the diminution of the sorrows that so many are condemned to bear, is the task—the blessed task—for which Parliaments are called into existence." I trust, however, Mr. A. J. Balfour, M.P., after studying this subject, will arrive at a different conclusion, as expressed in his speech last month before the National Union of Conservative Associations in London. He said regarding the Rates Bill: "He hoped the constituencies will receive this measure as it is intended, as the greatest measure of relief which it is in the power of any Government to give to the agricultural interest, and as such they will accept it as an earnest endeavour to meet pledges honestly given, honestly intended to deal with the present deplorable position." (Cheers.) *Vide Appendix (p. 64).* Comments upon the Chancellor of the Exchequer's speech of June 17, 1896, re low prices and national benefits derived from Stock Exchange gambling.

It would be wrong to look upon this proposal as being made solely in the interests of the suffering farmers. In the course of the preceding remarks I have alluded to the fact that the international grain market is preparing great and earnest surprises. We shall not have to wait long for the next form of squeezing the nations by the great international capitalists, by means of an international "corner" in wheat. *Should the nations have to face it unprepared, as they now are, it will be useless to have recourse to the old antiquated methods of prohibiting export, &c.* These intentions of the great capitalists would probably be frustrated at the inception of their execution, provided the Governments, owing to this suggested credit, were in touch with the market. The money which the State would use for this purpose would thus serve as a means of securing the social peace of the nations. The importance of our last proposal is not diminished by recognising that until then *the distress of the farmers of all countries can be materially assisted within the shortest time by an improvement in the price of grain.*

APPENDIX

Extract from the St. Louis "Democrat," U.S.A., April 18, 1896:—

"Edwin Pardridge, the speculator, died this morning. As a speculator he had no equal. About thirteen years ago he commenced trading in grain, and gradually increased his operations until he became the king of the wheat 'bears.' It was almost impossible for him to trade on the 'bull' side of wheat, as he never felt easy when long. He would worry more about being long 500,000 bushels over-night than short 5,000,000 bushels. He seldom had less than 2,000,000 bushels sold, and of late had no less than 1,500,000 bushels. In 1893, when Cudahy tried to run a corner in May, he was caught short 15,000,000 bushels. The advance at that time cost him over \$600,000. His losses were so enormous that when the market went his way his profits were fabulous. *He commenced selling 'bear' wheat in 1891 above \$1, and advised his friends to do so, and within a year took \$1,500,000 out of the market.* As a 'privilege' seller he had no equal, as his revenue from that source alone averaged \$2,000 to \$3,000 a day, and one day three years ago he sold 'bear' a 'line of calls' on 3,000,000 bushels in a lump. He is succeeded by his two sons in business."

Extract from the "Farmer's Homestead," U.S.A., May 8, 1896:—

"The recent death of Mr. Ed. Pardridge, the noted speculator on the Board of Trade at Chicago, is calling forth a large number of obituary notices, most of which incidentally give brief opinions as to the effect of his influence upon those products in which he operated. These estimates are all of the same general tenor, and all tend to prove that he and the business in which he was engaged have been potent factors in the depression of prices that has been growing greater and greater for a number of years past.

"The 'Breeder's Gazette' says:—

"For ten years past he has been one of the heaviest traders in this market, and his influence was invariably exerted in the direction of depressing values. Prices never got so low but he 'played' the market for a still further decline."

"The 'Times-Herald' says:—

"He has been able for months at a time when the conditions have been indistinct to control within certain limits and to depress prices. A commission man last night said that Pardridge and Roommans together had been equal to an addition of 15,000,000 bushels to the visible supply."

"The context of the last extract shows that the wheat market is spoken of, and that the two men named exerted a depressing influence equivalent to the addition of 15,000,000 bushels of wheat to the visible supply of the market."

"We refer to this aspect of the life that has gone out not for the purpose of condemning the man and his influence, for he has passed beyond the jurisdiction of human judgment. The farmers and farm papers cannot be expected to wear caprice for him, but they can and do abstain from saying what they said of him and those of similar pursuits during his life. We do not refer, as has been said, to these obituary estimates for the purpose of condemning the man, but rather in order to call the attention of Congress to a monster evil which these notices confess, and which that body still permit to exist. It professes to represent the people of the United States; and especially does it profess to have under its watchful care the producing interests of the country—those who by the sweat of their brow earn a livelihood and furnish a foundation for the wealth, progress, and prosperity of the land. Notwithstanding this profession, Congress has at the present session defeated the bill to repress and restrain a species of produce gambling which the press of Chicago, in their obituary notices of a great trade operator, are obliged to admit has been a large element in producing depression in products below the point of remunerative production. Two of those operators have been equal to an addition of 15,000,000 bushels of wheat added to the visible supply. They have habitually depressed the market to this large extent. Multiply these two by all the others that are similarly engaged, and what must be the result? The two quotations above given from Chicago papers do not stand alone. They fairly represent the well-nigh universal comment upon the occasion of Mr. Partridge's death. They are a fairly accurate estimate of the influence which the business he was engaged in exerts upon production, and yet Congress permits that influence to continue."

Comments on the Chancellor of the Exchequer's late Speech.

I, like many others, have been astonished to read in the "Standard" of the 18th instant that Sir M. Hicks-Beach, the Chancellor of the Exchequer, stated, at the Lord Mayor's dinner to the Bankers and Merchants of the City of London the previous night, that "he could also assure them that he looked with a sympathetic interest on the signs of increasing speculation on the Stock Exchange, for he knew what that meant in the way of stamp duties, and he should watch with great care that speculation during the next nine months." (These remarks were received with laughter.) "Further, that cheap food and cheap raw material were essential to our commercial prosperity."

If the Chancellor of the Exchequer intends to express, by these latter remarks, the views of his colleagues of the present Unionist Government, who, prior to the general election, pledged themselves as their first duty to endeavour to relieve the Agricultural Depression, then our British National Industry is doomed, and sacrificed in the supposed but erroneous interests of the masses to obtain everything at an abnormally cheap rate. Besides, these artificially depressed prices are not only ruining our own industries, but are also the direct means of driving our capital to foreign channels, to the benefit of those who have investments abroad; but to the certain detriment of our rural population and of the working classes, who are thereby deprived of their lawful occupations and wages. For not a banker or merchant can deny the well-known and generally recognised facts, that Commerce and Agriculture, being indissolubly united, are one, and also, that when prices were high and at their natural level, based on the world's supply and demand, not only our masses, but also our agriculture, trade, and commerce prospered.

It is also astounding to hear the Chancellor of the Exchequer publicly mentioning, before a representative audience, in such a light way, the notorious gambling transactions on the Stock Exchange in gold mines, &c., in 1893, whereby he rejoiced to have obtained a large revenue in the shape of stamp duties, apparently forgetful of the fact that, by the same operations, the public were victimised and preyed upon by this body of speculators, working together systematically for their own ends, and that the depravity engendered by this extensive gambling was widespread.

The Chancellor of the Exchequer may possibly not be aware that last year,

owing to the result of excessive "bull" gambling on the Stock Exchange, combined with gigantic "bear" operations on behalf of international capitalists, who had based these latter transactions on the certain knowledge of what is now recognised and acknowledged all over the world as a national disgrace, viz., the Jameson raid in the Transvaal in December last, one of the most widespread panics was created, causing the most severe depression in the value of public securities ever experienced within a short space of time. For instance, in November (the month previous to the raid), the usual 334 representative securities dealt in on the London Stock Exchange showed a total depreciation for that month alone of no less than £58,000,000, the collapse in that month swallowing up more than one half of the year's appreciation. Add to this amount the shrinkage in South African, &c., shares, and these figures would be almost doubled. Thus, while the National Exchequer was benefiting to a large amount by stamp duties, due to what the Chancellor of the Exchequer styles speculation, bona fide holders of securities were witnessing their property being wrecked and depreciated, to an alarming extent, by the deliberate gambling "bear" operations of international capitalists, as well as of others who were in the swim.¹ If the Chancellor of the Exchequer desires an increased National Revenue during the next nine months, and is content or thinks it a desirable policy to obtain it from a similar source, equally demoralising to those who use it, but more disastrous in its baneful effects upon the country at large, why does he not impose stamp duties upon all gambling future contracts of fictitious produce, silver, and metals?

Finally, I can bring before the notice of the present Government, that, since they have been in power, the following industries have specially petitioned with regard to acute depression, viz.: The Lancashire Cotton Trade, the Agriculturists and Wheat Growers, and the West Indian Sugar Merchants, and that it is the very commodities on which, directly or indirectly, these industries are dependent, which principally come under the baneful influence and complete sway of these international gambling systems.

Under such principles as the Chancellor of the Exchequer holds, it would seem almost hopeless to bring before a Government (of which he is a prominent member) any remedy to reach the root (prices) of agricultural and trade depression, for apparently all sense of patriotism and upright feeling seems to be at a low ebb amongst us, and self-considerations and personal interests predominant. What a contrast to the straightforward patriotic manner in which the German Government and Reichstag have met this question, and in which I may say it is being generally taken up on the continent of Europe. The good of the country seems abroad to be the first and guiding consideration; would that this were the case with us, who profess so loudly our Christian principles and our unselfish actions, and generally thank God that we are not as our neighbours!!

¹ Mr. Justice Wills tried an important case on July 9, 1896, before the Queen's Bench Division (Gieve v. Doyle), whereby the complainant sought to recover £4,500l., the balance of a speculative account for differences due on "option" contracts on the Stock Exchange. The learned Judge in summing up said: "When he first came upon the Bench he used to think that drink was the most fruitful cause of crime, but in recent years he had somewhat modified that opinion. He now thought it was a question whether the unlimited facilities for illegitimate speculation on the part of people who had no means of embarking in it, but who were tempted by advertisements of the kind issued by the plaintiff, were not a more prevalent source of mischief and crime even than drink." The verdict of the jury was for the defendant. They found that, notwithstanding the statements contained in the contracts, the transactions were of a gambling nature, it never being intended by the parties that there should be any actual passing of property. The present case is analogous to the one of last year, which was taken to the House of Lords, when Lord Herschell in delivering judgment also ruled the same. There have been many similar cases before our courts in the past three years, both for differences arising from Stock and Produce "Option" Contracts. The defendant in each case pleaded that the transactions were of a gambling nature, and consequently void under the 1893 Gaming Statute. If the above ruling holds good for "option" fictitious-dealing in Stocks, why should it not hold good for similar fictitious-dealing in "options" of Produce, Silver, and Metals, especially considering that the latter are ten thousand times more injurious in their far-reaching effects on the nation at large, and also that these illegitimate transactions are openly carried on in a registered and legalised institution, under the garb of a so-called Produce Exchange?

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